

STATE OF NORTH CAROLINA Department of Revenue	REQUEST FOR PROPOSAL NO. 45-4608	
	Bids will be publicly opened: March 24, 2008	
	Contract Type: Consulting Services	
<i>Refer ALL Inquiries to:</i> Avis McLaughlin Telephone No. (919) 733-7668	Date Issued: January 23, 2008	Commodity Number: 918-29
	Commodity: Tax Information Management System	
E-Mail: Avis.McLaughlin@dornrc.com	Using Agency Name: Department of Revenue	
(See page 2 for delivery instructions.)	Agency Requisition No. ITS-003660	

OFFER AND ACCEPTANCE: This solicitation advertises DOR's needs for the services and/or goods described herein. DOR seeks proposals comprising competitive bids offering to sell the services and/or goods described in this solicitation. All proposals and responses received shall be treated as offers to contract. DOR's acceptance of any proposal must be demonstrated by execution of the acceptance found below, and any subsequent Request for Best and Final Offer, if issued. Acceptance shall create a contract having an order of precedence among terms set forth in the beginning of Section 7 of this RFP.

EXECUTION: In compliance with this Request for Proposal, and subject to all the conditions herein, the undersigned offers and agrees to furnish any or all services or goods upon which prices are bid, at the price(s) offered herein, within the time specified herein. By executing this bid, I certify that this bid is submitted competitively and without collusion.

Failure to execute/sign bid prior to submittal shall render bid invalid.

VENDOR:		FEDERAL ID OR SOCIAL SECURITY NO.	
STREET ADDRESS:		P.O. BOX:	ZIP:
CITY & STATE & ZIP:		TELEPHONE NUMBER:	TOLL FREE TEL. NO
Will any work under this contract be performed outside the United States? Where will services be performed: _____		YES _____	NO _____
TYPE OR PRINT NAME & TITLE OF PERSON SIGNING:		FAX NUMBER:	
AUTHORIZED SIGNATURE:	DATE:	E-MAIL:	

Offer valid for ninety (90) days from date of bid opening unless otherwise stated here: _____ days

ACCEPTANCE OF BID: If any or all parts of this bid are accepted, an authorized representative of the North Carolina Department of Revenue shall affix their signature hereto and this document and the provisions of the special terms and conditions specific to this Request for Proposal, the specifications, and the ITS Terms and Conditions shall then constitute the written agreement between the parties. A copy of this acceptance will be forwarded to the successful Vendor(s).

<u>FOR DOR USE ONLY</u>
Offer accepted and contract awarded this ____ day of _____, 20____, as indicated on attached certification, by _____ (Authorized representative of the North Carolina Department of Revenue).

ISSUING AGENCY: Department of Revenue
P.O. Box 261
Raleigh, North Carolina 27602

USING AGENCY: Department of Revenue
P.O. Box 261
Raleigh, North Carolina 27602

DELIVERY INSTRUCTIONS: Deliver **two (2) signed originals** and **five (5) copies** of the Proposal to Issuing Agency in a sealed package with Company Name and RFP Number clearly marked on the front.

DELIVERED BY US POSTAL SERVICE	DELIVERED BY ANY OTHER MEANS
BID NUMBER: ITS-003660 (45-4608) Department of Revenue Attn: Avis McLaughlin, Contract Manager P.O. Box 261 Raleigh, NC 27602	BID NUMBER: ITS-003660 (45-4608) Department of Revenue Attn: Avis McLaughlin, Contract Manager 501 N. Wilmington St. Raleigh, NC 27604

Sealed bids, subject to the conditions made a part hereof, will be received at the Department of Revenue until 2:00 p.m. on the day of opening and then opened, for furnishing and delivering the commodity as described herein. Proposals for this RFP must be submitted in a sealed package with the Execution of Proposal signed and dated by an official authorized to bind the Vendor's firm. Failure to return a signed execution of proposal shall result in disqualification. All proposals must comply with Section 4, Proposal Content and Organization.

Proposals will not be accepted by electronic means. This RFP is available electronically at <http://www.ips.state.nc.us/ips/pubmain.asp>. All inquiries regarding the RFP requirements are to be addressed to the contact person listed on Page One.

Written questions concerning the RFP specifications will be received until February 11, 2008 at 2:00pm. They must be sent via e-mail to: TIMSBID@dornc.com or faxed to (919) 715-0777. Please insert "ITS-003660 (45-4608) TIMS Questions" in the subject matter of your e-mail. A summary of all questions and answers will be posted to the Interactive Purchasing System (IPS) as an addendum to this RFP.

Mandatory Pre-Bid Conference: There will be a **mandatory** Pre-Bid Conference held on February 4, 2008 at 1:00 p.m. at 501 N. Wilmington Street, Raleigh, NC. Vendors wishing to submit a bid must attend this conference. Proposals will only be accepted and considered from Vendors that attend this mandatory conference.

Addendum to RFP: If a pre-bid conference is held or written questions are received prior to the submission date, an addendum comprising questions submitted and responses to such questions, or any additional terms deemed necessary by DOR will be posted to the Interactive Purchasing System (IPS), <http://www.ips.state.nc.us/ips/deptbids.asp>, and shall become an Addendum to this RFP. Vendors' questions posed orally at any pre-bid conference must be reduced to writing by the Vendor and provided to the Purchasing Officer as directed by said Officer.

Critical updated information may be included in these Addenda. It is important that all Vendors bidding on this proposal periodically check the State website for any and all Addenda that may be issued prior to the bid opening date.

Basis for Rejection. Pursuant to 9 NCAC 06B.0401, DOR reserves the right to reject any and all offers, in whole or in part; by deeming the offer unsatisfactory as to quality or quantity, delivery, price or service offered; non-compliance with the requirements or intent of this solicitation; lack of competitiveness; error(s) in specifications or indications that revision would be advantageous to the State; cancellation or other changes in the intended project, or other determination that the proposed requirement is no longer needed; limitation or lack of available funds; circumstances that prevent determination of the best offer; or any other determination that rejection would be in the best interest of the State.

NOTICE TO VENDORS: DOR objects to and will not be required to evaluate or consider any additional terms and conditions submitted with a Bidder's response. This applies to any language appearing in or attached to the document as part of the Bidder's response. By execution and delivery of this Request for Proposal and response(s), the Bidder agrees that any additional terms and conditions, whether submitted purposely or inadvertently, shall have no force or effect.

Late Proposals. Regardless of cause, late proposals will not be accepted and will automatically be disqualified from further consideration. It shall be the Vendor's sole risk to ensure delivery at the designated office by the designated time. Late proposals will not be opened and may be returned to the Vendor at the expense of the Vendor or destroyed if requested.



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1 Introduction

The North Carolina Department of Revenue (DOR) desires to replace its current integrated tax system with a new system that will fully support all of the essential functions of tax administration for the state. The principal sources of revenue for North Carolina state government are through taxes administered and collected by DOR. This Request for Proposal (RFP) is issued by DOR in order to select a qualified Vendor to implement a fully integrated system to meet the specific requirements of DOR and to convert the data from the existing Integrated Tax Administration System (ITAS) and all other systems as referenced in this RFP. The new solution name will be the Tax Information Management System (TIMS) and the project to implement TIMS will be the TIMS Project.

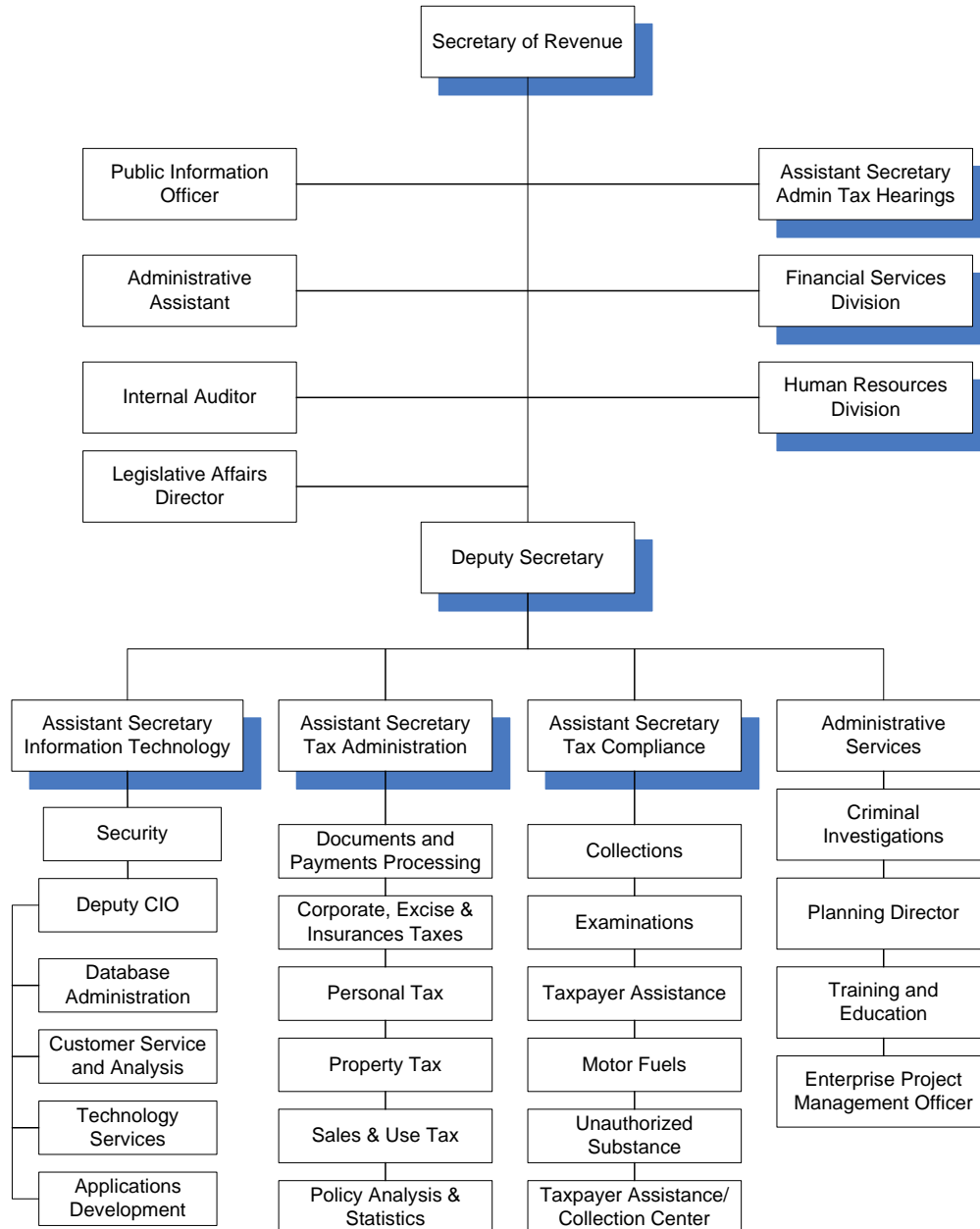
DOR has embarked on a program to transform how the Department uses technology to execute its statutory responsibilities. It articulated this vision of the future within its e-Business Strategic Plan. In the fall of 2006, DOR, in consultation with CGI, Inc., developed the Project Definition and Planning (PDP) document, which serves as a roadmap for transforming DOR's e-Business vision into reality. The new integrated tax system is the centerpiece of the e-Business implementation program. The implementation of TIMS provides the foundation that will allow DOR to achieve its e-Business Strategic Plan in the most efficient manner possible.

1.1 Background

DOR is an agency statutorily charged with collecting and accounting for the State's tax funds, ensuring uniformity in the administration of the tax laws and regulations, conducting research on revenue matters, and exercising general and specific supervision over the valuation and taxation of property throughout the State (N.C.G.S. 143B-218). For the fiscal year ended June 30, 2007, DOR collected and processed \$24 billion in tax payments from the 22 tax types administered by DOR. In carrying out its statutory duties and responsibilities, DOR employs a number of automated and non-automated systems.

Headquartered in Raleigh, North Carolina, at 501 North Wilmington Street, the Department has a personnel complement of 1,573 employees effective August, 2007. The Department is organized along its two primary functions, Tax Administration and Tax Compliance, with several other support organizations including Information Technology, Human Resources, Financial Services, etc. (see Figure 1).

Figure 1 – DOR Organization



The current integrated tax system has been operational since October, 1994. While this 13 year-old legacy system functions as it was originally designed, its use of the COBOL language with a DB2 database on the mainframe makes it an unsuitable and restrictive platform for the type of transformational changes the Department intends to implement. The system is nearing the end of its useful life and newer, more robust technologies are available to significantly improve the ability of DOR to meet its objectives and support the expansion of e-Business services. To further support the



Department's position that the current ITAS cannot adequately support future e-Business initiatives, the Office of State Controller (OSC) in its Business Systems Infrastructure Study report, as prepared by Deloitte Consulting and published in January 2004, stated, "...the recommendation is to enhance the current system (ITAS) through the addition of scoring software, web enabled processing... At the end of five (5) years the system (ITAS) should be reviewed for a possible replacement strategy." A similar conclusion was reached in the 2004 Legacy Application Assessment report prepared by Keane/Gartner. The report authorized by House Bill 941 in 2003 mandated an analysis of the State's legacy systems to ascertain needs, costs and a timeframe for progressing to more modern systems. The report concluded that ITAS would potentially encounter "Business issues" and that a Remediation Strategy would be necessary for ITAS in "4-6 years."

ITAS currently supports 12 tax schedules that account for at least 95% of all taxes collected by the Department. ITAS allows editing, correcting and posting of tax returns and payments, noticing to taxpayers, business registration, refund check writing, reporting, local sales and use tax accounting and distribution, exceptions processing, and numerous other functions.

In addition to replacing ITAS, the new system will replace other existing systems as referenced in this RFP, including Unauthorized Substance System (USUB), JAVA Enabled Tax System (JETS), Revenue Collection and Accounting System (RCA), Vehicle Information System for Tax Administration (VISTA), Business Incentives (William S. Lee) and other smaller Microsoft Access systems.

Due to the significance of this application to the business, the Department desires to have the highest quality solution implemented as expeditiously as possible that delivers all of the business outcomes as defined in this RFP.

1.2 Purpose

The purpose of the procurement is to identify a qualified vendor that can provide the software to meet the TIMS requirements, implement the technical components for the overall TIMS solution, and convert data from the existing systems, as well as provide the supporting project management, business process reengineering and training for a comprehensive transformational program. This procurement will also establish the post implementation maintenance and support for the system. The rewards of the completion of this project will be a fully implemented second generation integrated tax system with increased automation, the ability to more easily integrate with other applications, improved data quality, enhanced ability to obtain information from the system more readily, better management reporting capabilities and the ability to better respond to changes in the future.



The details of the functional and technical requirements are defined in this RFP. Through a new, modernized tax information system, which will integrate all of the state's tax types, DOR will be able to:

- Provide taxpayers and agency staff with a complete picture of tax liabilities, allowing the Department to provide a higher level of customer service and a more timely and accurate resolution of taxpayer issues and questions.
- Enhance DOR's compliance (audit) and collections capability (e.g., more flexible reporting, more detailed taxpayer information).
- Provide additional automation for recurring manual processes.
- Achieve faster and more accurate processing of all tax returns.
- Achieve more fully integrated revenue accounting to provide quicker access and more information relative to distribution of data to local governments.
- Provide more timely, flexible, and easier responses to legislative changes and mandates and other requirements that necessitate software modification.
- Provide more timely responses to legislative and other external agency requests for information.
- Enhance management reporting and executive "snapshot" information.

Key support services include:

- Implementation of the new technical infrastructure to support the system.
- Conversion planning and execution.
- Training for DOR staff to use and support the system.
- Business Process Reengineering planning and implementation.
- Technical and user documentation for the system.
- Project Management from initiation through project closeout.
- Post-implementation maintenance support of key software as prescribed by DOR.

Because of the anticipated funding stream, the project must be broken down into separately defined phases. However, the system must be implemented as a complete integrated system so as not to degrade the current integration capabilities during any project phase. The contract will be awarded to a single vendor for all phases, with phases approved for initiation when funding is available.



2 Bidding Information

2.1 Instructions to Vendors

Additional acronyms, definitions and abbreviations may be included in the text of the RFP.

- 1) Proposals submitted electronically, or via facsimile (FAX) machine will not be accepted.
- 2) EXECUTION: Failure to sign under EXECUTION section will render proposal invalid.
- 3) TIME FOR CONSIDERATION: Unless otherwise indicated on the first page of this document, Vendor's offer must be valid for 90 days from the date of proposal opening.
- 4) FAILURE TO MEET PROPOSAL REQUIREMENTS: While it is not anticipated that the awarded Vendor will fail to meet the proposal requirements, if such should occur, the right is reserved to further evaluate the responses to this RFP and then to recommend an award to the next Vendor response that represents the best interest of the State.
- 5) PROMPT PAYMENT DISCOUNTS: Vendors are urged to compute all discounts into the price offered. If a prompt payment discount is offered, it will not be considered in the award of the contract except as a factor to aid in resolving cases of identical prices.
- 6) MISCELLANEOUS: Masculine pronouns shall be read to include feminine pronouns and the singular of any word or phrase shall be read to include the plural and vice versa.
- 7) VENDOR REGISTRATION AND SOLICITATION NOTIFICATION SYSTEM: Vendor Link NC allows Vendors to electronically register with the State to receive electronic notification of current procurement opportunities for goods and services available on the Interactive Purchasing System. Online registration and other purchasing information are available through <http://www.its.state.nc.us/ITProcurement/>.
- 8) ORGANIZATION: Vendors are directed to carefully review Section 4 herein and fully comply with the content and organizational requirements therein.
- 9) E-PROCUREMENT: **This is an e-procurement solicitation.** Section 7.46 contains language necessary for the implementation of North Carolina's statewide e-procurement initiative. It is the Vendor's responsibility to read these



terms and conditions carefully and to consider them in preparing the offer. By signature, the Vendor acknowledges acceptance of all terms and conditions including those related to e-procurement.

- a. General information on the e-procurement service can be found at <http://www2.eprocurement.ncgov.com>
- b. Within two days after notification of award of a contract, Vendor must register in NC E-Procurement @ Your Service.
- c. As of the RFP submittal date, the Vendor must be current on all e-Procurement fees. If the Vendor is not current on all e-Procurement fees, the State may disqualify the Vendor from participation in this RFP.

2.2 General Conditions for Proposals

2.2.1 Definitions, Acronyms and Abbreviations.

Generally, see 9 NCAC 06A.0102 for definitions. The following are additional defined terms:

- a) **The State:** Is the State of North Carolina, and its Agencies.
- b) **DOR:** The North Carolina Department of Revenue.
- c) **ITS:** Office of Information Technology Services.
- d) **Goods:** Includes intangibles such as computer software; provided, however that this definition does not modify the definition of "goods" in the context of N.C.G.S. §25-2-105 (UCC definition of goods).
- e) **Vendor:** Company, firm, corporation, partnership, individual, etc., submitting a response to a solicitation.
- f) **Open Market Contract:** A contract for the purchase of goods or services not covered by a term, technical, or convenience contract.
- g) **24x7:** A statement of availability of systems, communications, and/or supporting resources every hour (24) of each day (7 days weekly) throughout every year for periods specified herein. Where reasonable downtime is accepted, it will be stated herein. Otherwise, 24x7 implies NO loss of availability of systems, communications, and/or supporting resources.
- h) **Reasonable, Necessary or Proper:** as used herein shall be interpreted solely by the State of North Carolina.
- i) **RFP:** Request for Proposal.

2.2.2 Read and Review

It shall be the Vendor's responsibility to read this entire document, review all enclosures and attachments, and comply with all requirements and DOR's intent as specified herein. If a Vendor discovers an inconsistency, error or omission in this RFP, the

Vendor should request a clarification from DOR's contact person listed on the front page of the RFP. Questions and clarifications must be submitted in writing and may be submitted by personal delivery, letter, fax or e-mail within the time period identified in Section 2.3.7.

2.2.3 Vendor Responsibility

The Vendor(s) will be responsible for investigating and recommending the most effective and efficient technical configuration. Consideration shall be given to the stability of the proposed configuration and the future direction of technology, confirming to the best of their ability that the recommended approach is not short lived. Several approaches may exist for hardware configurations, other products and any software. The Vendor(s) must provide a justification for their proposed hardware, product and software solution(s) along with costs thereof. Vendors are encouraged to present explanations of benefits and merits of their proposed solutions together with any accompanying services, maintenance, warranties, value added services or other criteria identified herein.

2.2.4 Oral Explanations

DOR will not be bound by oral explanations or instructions given at any time during the bidding process or after award. Vendor contact regarding this RFP with anyone other than the DOR contact or procurement officer named on Page 2 above may be grounds for rejection of said Vendor's offer. DOR contact regarding this RFP with any Vendor may be grounds for cancellation of this RFP.

2.2.5 Insufficiency of References to Other Data

Only information that is received in response to this RFP will be evaluated. Reference to information previously submitted will not suffice as a response to this RFP.

2.2.6 Conflict of Interest

Applicable standards may include: N.C.G.S. §§ 147-33.100, 14-234, 133-32. The Vendor shall not knowingly employ, during the period of this contract, nor in the preparation of any response to this RFP, any personnel who are, or have been, employed by a Vendor also in the employ of the State and who are providing services involving, or similar to, the scope and nature of this RFP or the resulting contract.

2.2.7 Contract Term

A contract awarded pursuant to this RFP shall have an effective date as provided in the Notice of Award. The term shall be established based upon the awarded Vendor's proposed implementation of its proposed solution and the phasing requirements for implementation, plus one year for the stated warranty period, or unless terminated



earlier. The initial term of the contract may not exceed three years, unless explicit approval is received from the State Chief Information Officer (SCIO) and based upon appropriate business needs. 9 NCAC 06B.0301(3)(b)

2.2.8 Effective Date

This RFP, including any Exhibits, or any resulting contract or amendment shall not become effective nor bind DOR until the appropriate State purchasing authority/official or DOR official has signed the document(s), contract or amendment; the effective award date has been completed on the document(s), by the State purchasing official, and that date has arrived or passed. DOR shall not be responsible for reimbursing Vendor for goods provided nor services rendered prior to the appropriate signatures and the arrival of the effective date of the Contract. No contract shall be binding on DOR or the State until an encumbrance of funds has been made for payment of the sums due under the contract.

2.2.9 Recycling and Source Reduction

It is the policy of this State to encourage and promote the purchase of products with recycled content to the extent economically practicable, and to purchase items that are reusable, refillable, repairable, more durable, and less toxic to the extent that the purchase or use is practicable and cost-effective. We also encourage and promote using minimal packaging and the use of recycled/recyclable products in the packaging of goods purchased. However, no sacrifice in quality of packaging will be acceptable. The Vendor remains responsible for providing packaging that will protect the commodity and contain it for its intended use. Vendors are strongly urged to bring to the attention of the purchasers at the Statewide IT Procurement Office those products or packaging they offer which have recycled content and that are recyclable.

2.2.10 Historically Underutilized Businesses

Pursuant to General Statute 143-48 and Executive Order #150, the State invites and encourages participation in this procurement process by businesses owned by minorities, women, disabled, disabled business enterprises and non-profit work centers for the blind and severely disabled. Additional information may be found at: <http://www.doa.state.nc.us/doa/hub/>.

2.2.11 Clarifications/Interpretations

Any and all amendments or revisions to this document shall be made by written addendum from the DOR Procurement Office. Vendors may email the purchasing agent listed on the first page of this document to obtain a written status of contract award. If either a unit price or extended price is obviously in error and the other is obviously correct, the incorrect price will be disregarded.

2.2.12 Rights Reserved

While DOR has every intention to award a contract as a result of this RFP, issuance of the RFP in no way constitutes a commitment by the State of North Carolina, or DOR, to award a contract. Upon determining that any of the following would be in its best interests, DOR may:

- waive any formality;
- amend, cancel or terminate this RFP;
- reject any or all proposals received in response to this document;
- waive any undesirable, inconsequential, or inconsistent provisions of this document, which would not have significant impact on any proposal;
- if the response to this RFP demonstrates a lack of competition, negotiate directly with one or more Vendors;
- not award, or if awarded, terminate any contract if DOR determines adequate State funds are not available; or
- if all responses are deficient, determine whether Waiver of Competition criteria may be satisfied, and if so, negotiate with one or more Vendors.

2.2.13 Alternate Bids

Vendor may submit alternate bids for various levels of service(s) or products meeting specifications. Alternate bids must specifically identify the RFP requirements and advantage(s) addressed by the alternate bid. Any alternate proposals must be clearly marked with the legend as shown herein. Each proposal must be for a specific set of services or products and bid at specific pricing. If a Vendor chooses to respond with various service or product offerings, each must be bid with a different price and a separate proposal response. Vendors may also provide multiple proposals for software or systems coupled with support and maintenance options, provided, however, all proposals must satisfy the specifications.

Alternate bids must be clearly marked
“Alternate bid for ‘name of Vendor’”

and numbered sequentially with the first bid if separate proposals are submitted. This legend must be in bold type of not less than 14-point type on the face of the bid, and on the text of the alternative proposal.

2.2.14 Co-Vendors

Vendors may submit offers as partnerships or other business entities. Such partners or other “co-Vendors,” if any, shall disclose their relationship fully to the State. DOR shall



not be obligated to contract with more than one Vendor. Any requirements for references, financial statements or similar reference materials shall mean **all** such partners or co-Vendors.

2.2.15 Submitting a Proposal

Each Vendor submitting a proposal warrants and represents that:

- a) The proposal is based upon an understanding of the specifications and requirements described in this RFP.
- b) Costs for developing and delivering responses to this RFP and any subsequent presentations of the proposal as requested by DOR are entirely the responsibility of the Vendor. DOR is not liable for any expense incurred by the Vendors in the preparation and presentation of their proposals.

All materials submitted in response to this RFP become the property of DOR and are to be appended to any formal documentation, which would further define or expand any contractual relationship between DOR and Vendor resulting from this RFP process.

A proposal may not be unilaterally modified by the Vendor for a 90 day period following the delivery of the proposal, or of any best and final offer.

2.3 Evaluation Process

2.3.1 Best Value

"Best Value" procurement means the selection of a Vendor by determining which proposal offers the best trade-off between price and performance, where quality is considered an integral performance factor. The award decision is made based on multiple factors, including: total cost of ownership, meaning the cost of acquiring, operating, maintaining, and supporting a product or service over its projected lifetime; the evaluated technical merit of the Vendor's proposal; the Vendor's past performance; and the evaluated probability of performing the requirements stated in the RFP on time, with high quality, and in a manner that accomplishes the stated business objectives and maintains industry standards compliance. The intent of "Best Value" Information Technology procurement is to enable Vendors to offer and DOR to select the most appropriate solution to meet the business objectives defined in the RFP and to keep all parties focused on the desired outcome of a procurement.

2.3.2 Source Selection

A trade-off/ranking method of source selection will be utilized in this procurement to allow DOR to award the contract to the Vendor providing the Best Value, and recognizing that Best Value may result in award other than the lowest price or highest

technically qualified offer. By using this method, the overall ranking may be adjusted up or down when considered with, or traded-off against other non-price factors.

- a) This is a one step best value procurement: 9 NCAC 06B.0302.
- b) The evaluation committee may request clarifications, an interview with or presentation from any or all Vendors as allowed by 9 NCAC 06B.0307. However, DOR may refuse to accept, in full or partially, the response to a clarification request given by any Vendor. Vendors are cautioned that the evaluators are not required to request clarifications; therefore, all offers should be complete and reflect the most favorable terms. Vendors should be prepared to send qualified personnel to Raleigh, North Carolina, to discuss technical and contractual aspects of the proposal.
- c) Evaluation Process Explanation. State employees will evaluate all proposals. All proposals will be initially classified as being responsive or non-responsive. If a proposal is found non-responsive, it will not be considered further. All responsive proposals will be evaluated based on stated evaluation criteria. Any references in an answer to another location in the RFP materials or Proposal shall have specific page numbers and sections stated in the reference.
- d) To be eligible for consideration, a Vendor must meet the intent of all mandatory requirements. Compliance with the intent of all requirements will be determined by DOR. Responses that do not meet the full intent of all requirements listed in this RFP may be subject to point reductions during the evaluation process or may be deemed non-responsive. Further, a serious deficiency in the response to any one factor may be grounds for rejection regardless of overall score.
- e) Vendors are advised that DOR is not obligated to ask for, or accept after the closing date for receipt of proposal, data that is essential for a complete and thorough evaluation of the proposal.

2.3.3 Best and Final Offers (BAFO)

If negotiations or subsequent offers are solicited, the Vendors shall provide BAFOs in response. Failure to deliver a BAFO when requested shall disqualify the non-responsive Vendor from further consideration. DOR may establish a competitive range based upon evaluations of proposals, and request BAFOs from the Vendors within this range; e.g. "Finalist Vendors." DOR will evaluate BAFOs and add any additional points to the Vendors' respective scores. Points awarded from oral presentations, site visits and product demonstrations during negotiations, if any, will be added to the previously assigned points to attain final scores.

2.3.4 Evaluation Criteria

Each of the evaluation criteria below shall be evaluated in accordance with the RFP:

- Corporate Background and Corporate Experience
- Functional and Technical Proposed Solution
- Project Methodology and Project Staff
- Cost

2.3.5 Grounds for Disqualification

Vendor may be disqualified from any evaluation or award if Vendor or any key personnel proposed has previously failed to perform satisfactorily during the performance of any contract with the State or violated rules or statutes applicable to public bidding in the State.

2.3.6 Evaluation Method

The RFP Project Specifications, Proposal Content and Organization, and Cost Proposal sections describe the work to be performed and the manner in which the proposals are to be structured. Evaluation of proposals will be based on a subjective review by Evaluation Committee members (including any clarifications, oral presentations, BAFOs, and any other source information deemed appropriate by the Evaluation Committee) as measured against the following factors:

Category	Weight	Description
Corporate Background and Experience	10%	Includes: Financial standing, demonstration of the Vendor's background, capabilities and experience including prior relationships with the State of NC, experience with integrated tax systems, references, and proven success with large project implementation.
Functional Proposed Solution	40%	Includes: How the proposed solution will meet the functional requirements and how the objectives of the RFP will be met.
Technical Proposed Solution	20%	Includes: How the proposed solution will meet the technical requirements and how the objectives of the RFP will be met.
Project Methodology and Project Staffing	15%	Includes: Vendor's explanation of proposed project methodology and project management, and the qualifications of the proposed project staff from a functional and technical perspective.
Cost	15%	Includes: Proposed solution's short-term implementation cost and long-term operational and maintenance costs, i.e. total cost of ownership.



2.3.7 Procurement Schedule

The Procurement Manager will make every effort to adhere to the following schedule:

Action	Responsibility	Date (2008)
Issue of RFP	DOR	January 23
Pre-Proposal Conference; receive questions from Vendors	DOR	February 4
Deadline To Submit Questions	Vendors	February 11
Response to Written Questions/RFP Amendments	DOR	February 20
Submission of Proposal	Vendors	March 24
Oral Presentations	DOR/Vendor	April 23-25
Vendor Recommendation	DOR	May 8
Contract Award	DOR/ITS	May 23
Vendor Start	Vendor	June 16

2.3.8 Award Of Contract

Qualified proposals will be evaluated and acceptance may be made in accordance with Best Value procurement practices as defined by GS §143-135.9 and applicable administrative rules. The responsible Vendor whose proposal is most advantageous to the State, taking into consideration the evaluation factors herein, will be recommended for contract award. Unless otherwise specified by DOR or the Vendor, DOR reserves the right to accept any item or group of items on a multi-item proposal. The award will be made to a single vendor and notification to initiate phases will be based upon funds availability. It is the intent of DOR to progressively award the proposed phases of this contract to the single vendor until the system is fully implemented.

2.3.9 Proposal Award Information

ITS has implemented links to the Interactive Purchasing System (IPS) that allow the public to retrieve proposal award information electronically from our Internet web site:



<http://www.ips.state.nc.us/ips/pubmain.asp>. Click on the IPS BIDS icon, click on Search for BID, enter the DOR prefix-proposal number (ITS-003660), and then search. This information may not be available for several weeks dependant upon the complexity of the acquisition and the length of time to complete the evaluation process.

2.3.10 Protest Procedures

Protests of awards exceeding \$25,000 in value must be submitted to DOR at the address given on the first page of this document. Protests must be received in this office within 15 calendar days from the date of the contract award and provide specific reasons and any supporting documentation for the protest. **All protests will be governed by Title 9, Office of Information Technology Services, Subchapter 06B Sections .1009 - .1029.**

3 Project Specifications

3.1 Project Overview Requirements

3.1.1 Equivalent Items

Whenever a material, article or piece of equipment is identified in the specification(s) by reference to a manufacturer's or Vendor's name, trade name, catalog number or similar identifier, it is intended to establish a standard, unless otherwise specifically stated as a brand specific requirement (no substitute items will be allowed). Any material, article or piece of equipment of other manufacturers or Vendors shall perform to the standard of the item named. Equivalent bids must be accompanied by sufficient descriptive literature and/or specifications to provide for detailed comparison. Samples of items, if required, shall be furnished at no expense to DOR and if not destroyed in the evaluation process, may be returned to the Vendor at the Vendor's expense.

3.1.2 Specifications and Technical Literature

All bids shall include specifications and technical literature sufficient to allow DOR to determine that the equipment meets all requirements. This technical literature will be the primary source for bid evaluation. If a requirement is not addressed in the technical literature, it must be supported by additional documentation and included with the bid. Bid responses without sufficient technical documentation may be rejected.

3.1.3 Equivalent Goods

DOR may, in its sole discretion, investigate any substitute or equivalent goods irrespective of any representation made by a Vendor or manufacturer.

3.1.4 Specifications

Any deviation from specifications indicated herein must be clearly identified as an exception and listed on a separate page labeled "Exceptions to Specification"; otherwise, it will be considered that items offered are in strict compliance with these specifications, and Vendor will be held responsible. Any deviations shall be explained in detail. **The Vendor shall not construe this Section as inviting deviation or implying that any deviation will be acceptable. Offers of alternative or equivalent goods may be rejected; and if offered, must be supported by independent documentary verification of equivalence to the specified goods.**

3.2 Scope of Work

The scope of work for this project contains the following components:

1. Project Management
2. Implementation of the Integrated Tax System
3. Implementation of Hardware, Software and Network Infrastructure
4. Conversion of Data
5. Business Process Reengineering
6. Training
7. Documentation
8. Post-Implementation Service

3.2.1 Project Management

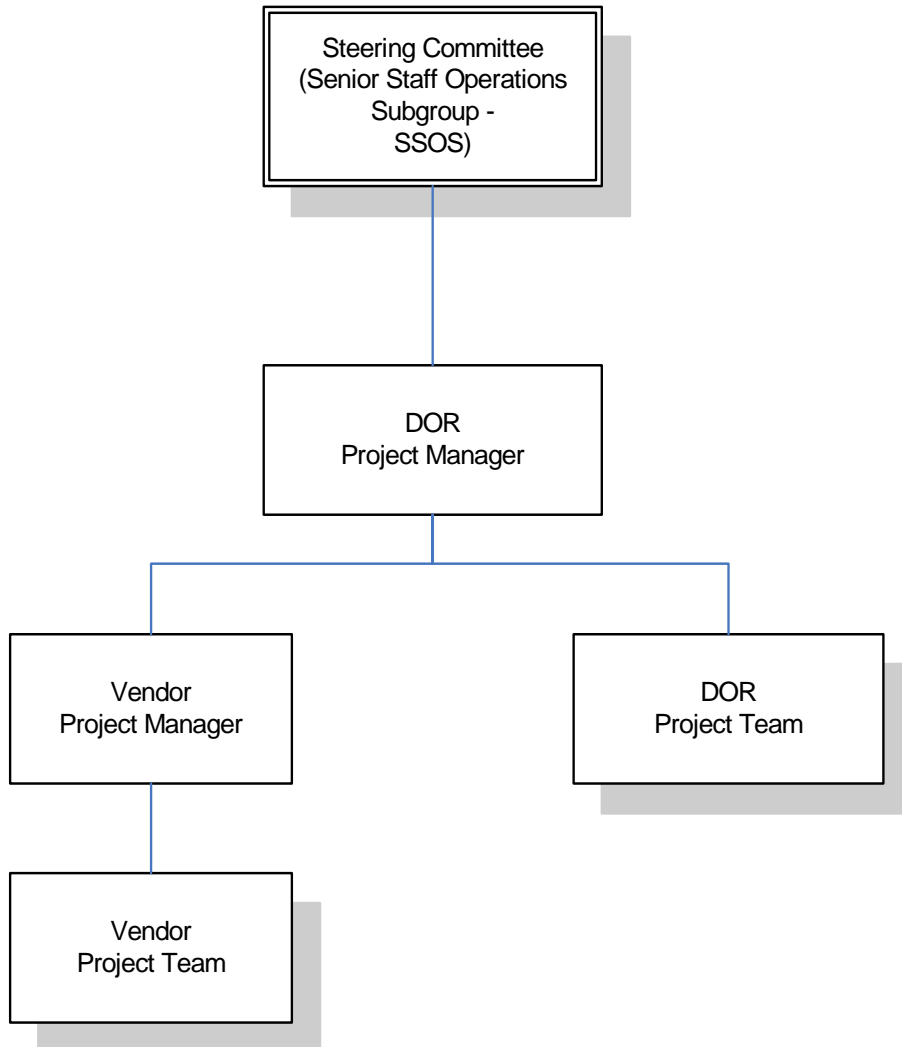
The Vendor must propose an approach to managing the project to ensure that all project phases are completed on time and all Deliverables (as defined in Section 7.20) are produced accurately and completely.

- A. The Vendor must provide a full-time, on-site Senior Project Manager to oversee and coordinate the daily, onsite activities of the Vendor's project team, except as approved by DOR, and to serve as the primary contact for the project. Additionally, DOR prefers a Deputy Project Manager (DPM) for the TIMS project. DOR requires that all project managers assigned to the project have achieved and currently hold the Project Manager Professional (PMP) certification from the Project Management Institute (PMI) or equivalent (i.e. project management degree or certification by a university). This certification must be maintained throughout the term of the contract, including any extensions. The Senior Project Manager and the Deputy Project Manager must have previous experience with projects similar in scope, size and complexity.
- B. The Vendor will be required to make formal presentations before DOR Executive Staff or other State committees or commissions with respect to the project progress, future plans, and scheduling.
- C. The Vendor must attend and participate in weekly status meetings and Steering Committee meetings or any other meetings as requested by the DOR Project Manager.
- D. The project will be subject to third party quality assurance reviews by the Office of Information Technology Services governed by the SB991 process and the Vendor must participate in all activities associated with such an effort as well as provide mitigations to risks and/or issues that impact project measures of success.

3.2.1.1 Project Organization

The TIMS project will be a closely coordinated effort between DOR and the selected Vendor. The organization of the project follows in Figure 2.

Figure 2 – Project Organization



Because of the significance of this project, the Steering Committee will be the Senior Staff Operations Subgroup (SSOS). Members of the SSOS are the Deputy Secretary, the Director of Financial Services (Chief Financial Officer), the Assistant Secretary of Tax Compliance, the Assistant Secretary of Tax Administration and the Assistant Secretary of Information Technology (CIO). The Steering Committee will champion the project cause, provide funding, allocate resources and make decisions relative to scope or strategic direction.



The Project Team will be comprised of both DOR and Vendor staff. The DOR project team will be led by the DOR Project Manager. The remainder of the DOR project team will consist of key business, technical and security personnel. The Vendor Project Manager will be accountable for all work assigned to the Vendor to implement the proposed solution and report to the DOR Project Manager for the duration of the project.

In addition, it is expected that DOR Subject Matter Experts (SMEs) who are not full-time on the project team will be involved. These personnel will be available to provide the necessary information to assist the awarded Vendor in performing its work to meet the deliverables and objectives of the project.

At a minimum, the Project Manager, Deputy Project Manager, and team leads for Application Development and Implementation, Training, Business Process Reengineering and Technical Infrastructure must be identified in the proposal and will be considered "Key Personnel." The Vendor may propose other Key Personnel with their job description/function on the project team. All Key Personnel must have previous experience with projects similar in scope, size and complexity. DOR prefers that all Vendor personnel, with the exception of specific technical resources, have relevant experience with tax and revenue implementations.

Vendor's proposed project organizational structure should illustrate how the Vendor will meet the measures of success and business outcomes as proposed in response to this RFP.

3.2.1.2 Project Management Specifications

The Vendor shall be responsible for meeting all project management requirements and deliverables as specified in the Contract, including, without limitation, Appendix B.

3.2.2 Implementation of Integrated Tax System

- A. The Vendor shall design, develop, test, convert and migrate data, implement the system and provide ongoing technical and production support to meet the requirements as specified in Appendix C.
- B. The implementation of TIMS must include the taxes and functionality currently performed by ITAS, JETS, USUB, RCA, VISTA, William Lee, and other smaller MSAccess systems, as specified in Appendix C.
- C. The Vendor must develop TIMS onsite at DOR. The Vendor team will be co-located with DOR employees at the DOR headquarters facility. Remote access to the DOR server hosting TIMS will be provided to the Vendor on an exception basis for specific purposes and must be pre-approved by DOR. The Vendor shall

be expected to provide an onsite implementation team that can support DOR testing and implementation, and provide onsite post-implementation support for the entire warranty period as specified in this RFP.

3.2.3 Implementation of Hardware, Software and Network Infrastructure

The Vendor will be responsible for furnishing and installing all equipment and software proposed to meet the requirements of the RFP as specified in Appendix D. DOR recognizes that equipment and software may be provided from several suppliers. The Vendor will act as a Prime Contractor responsible for coordinating the delivery and integration of all equipment proposed and for the integration of this equipment with the proposed software solution. In addition, the Vendor is responsible for establishing all warranties and service agreements for this equipment and software and ensuring that these warranties meet DOR's requirements as specified in the RFP. Any licenses or warranties purchased on behalf of DOR for this project must be transferable at the time the vendor is paid under this contract for said component.

The Vendor will work with DOR to meet the requirements of this RFP for the implementation of equipment. This will include but not be limited to:

- facility planning for the equipment installation (electrical requirements, wiring, ventilation, heating, air conditioning, and any other special considerations);
- coordinating equipment installation schedules with DOR;
- arranging delivery, uncrating, installation, and equipment setup;
- performing any installation testing and equipment check out;
- removing all packaging materials from DOR premises;
- transferring ownership and asset inventory tracking; and
- integrating all third party equipment components bid by the Vendor.

The Vendor will be responsible for the installation, integration, and testing of all proposed hardware, software and network components. Server equipment should be installed with a standard configuration to the maximum degree possible. When not possible deviations must be clearly documents.

DOR will be responsible for ensuring the construction of the space and the installation of any special electrical, raised flooring, and HVAC at the hosting facility.

It is DOR's intent to deal with a single point of contact for the project. As such, the Vendor is responsible for integrating all third party equipment and software components proposed.

The phased milestones for hardware, software and network infrastructure implementation deliverables shall be included in the Vendor's Project Plan and the

associated MS Project Schedule and must include deliverables that require DOR to review and approve the proposed infrastructure architecture and configuration.

3.2.4 Conversion of Data

Conversion of data from existing systems is a critical aspect of the success of the project. Data must be converted from existing systems as the new functionality is brought into the TIMS production environment. The Vendor will be responsible for ensuring that the data conversion effort is given high priority and that data validation and data cleansing are key components of the acceptance of the system. Conversion of the data must be done with a high degree of confidence so that future processing does not experience problems or failure associated with inaccurate data.

The Vendor, under the direction of and approval from DOR, shall be responsible for:

- developing a detailed conversion plan;
- developing specifications for the extraction and cleansing of data from the existing systems;
- developing and testing the software necessary to load the extracted data; and
- executing and validating the conversion process.

DOR shall be responsible for the development and testing of any software or processes necessary to extract data from existing systems based on the specification provided by the Vendor.

The phased milestones for conversion deliverables shall be included in the Vendor's Project Plan and the associated MS Project Schedule.

3.2.5 Business Process Reengineering

Business Process Reengineering (BPR) will optimize DOR business processes to best leverage the capabilities of both staff and technology. The business transformation that is the cornerstone of the e-Business Strategy Implementation Program can only be successful with effective BPR. The implementation of TIMS and related processes will have a significant impact on the organizational structure, staffing and skills necessary to support the new environment and new process flows.

- A. The Vendor shall work closely in partnership with DOR to define the new business processes required to effectively perform the operational functions of the agency utilizing the new TIMS system. It is expected that the Vendor will develop further detail of the "as is" (current) processes and a "to be" (new) description of the DOR business process, and the changes needed to implement the "to be" state.

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- B. The Vendor shall develop a transition plan to migrate from the current business processes to the new business processes and perform the tasks and effort necessary to assist DOR with the implementation of this transition.
 - C. The Vendor shall develop a communications plan regarding the BPR transformation and assist DOR to implement the plan.
 - D. The Vendor shall work with DOR to develop any new job descriptions or work plans that may be necessary as a result of the new business processes and work with DOR to determine appropriate staffing levels for new or altered process areas
 - E. The phased milestones for BPR deliverables shall be included in the Vendor's Project Plan and the associated MS Project Schedule to support the development lifecycle in a seamless and integrated manner.

3.2.6 Training and Education

Training and Education includes the activities to develop the knowledge, skills/abilities and attitudes that DOR employees need to be successful in the new environment. While classroom and formal training are critical, other forms of educational communications are essential as well. There are four categories of training that must be provided.

1. High level educational/informational training. This category of training is intended to assist all DOR employees in maintaining a fundamental understanding of the new TIMS environment, the project schedule, the high level accomplishments during the life of the project, the implications to DOR as the project progresses and the basic system functionality that will be provided. This is a recurring effort and must begin within 30 days of project initiation.
2. User applications training. This category of training is focused on how the application works, what the screens do, what the fields mean, etc. All employees who will utilize the system must receive the training associated with their work function. Ninety percent of all DOR employees will require this training.
3. Business functional training. This category of training takes the application functionality and integrates it with the new business process design to train the employees on how to perform a job function. It should be centered on standard business processes and related specifically to the DOR environment. All employees who will utilize the system must receive this training. Ninety percent of all DOR employees will require this training.

4. Technical and administrative. This category of training involves the information technology staff in building the skills and functions that DOR will require to effectively operate, support and maintain the TIMS environment post-production implementation. At a minimum, the Vendor will provide training that includes the basic operation and troubleshooting, preventive maintenance, customization of set-up features, creation of user logins, setting of access privileges, scheduling of batch jobs, backup and restoration of data and/or the entire system, database administration, application maintenance, system performance tuning, interface maintenance, and application support. The number of technical resources to be trained will be dependent on the specific training but would not exceed 50 in total.
- A. The Vendor shall be responsible for delivering the training to all affected DOR employees. The initial deployment of training will not be done utilizing the “train the trainer” approach, but rather it will be delivered directly from the vendor.
- B. Training should be delivered timely and as close to the actual time when the employee will be required to utilize the skills as possible.
- C. Training must be delivered at the Raleigh headquarters office and DOR may require some training to be delivered at up to two other locations (and online as possible) across the State, as specified by DOR, to accommodate field office employees.
- D. The Vendor shall be required to train sufficient DOR employees to serve as trainers in the future, so that they will be capable of delivering training to new employees or employees who change job functions after the Vendor has completed the implementation contract. The specific number of employees to be trained as trainers will be determined and agreed upon by DOR and the Vendor during the finalization of the training plan.
- E. The Vendor shall provide a complete Training and Education Plan covering all phases of the project and the categories as stated above. At a minimum, the Training and Education Plan will include the following:
- Training Methodology
 - Training Schedule
 - Curriculum Map
 - Target Audience
 - Number of Sessions
 - Number of Students per Session
 - Expected Learning Outcomes
 - Evaluation and Testing
 - Logistical Information such as training delivery dates and locations with emphasis on the timing to be structured for optimum employee retention

- Attendance Log and Completion Certificates

DOR has final approval of the training plan.

- F. The Vendor must provide documentation and materials to support and facilitate all training efforts. Documentation shall include the course materials and facilitator guides, job aids, quick reference guides, and any support material. The review and approval of all training materials by DOR is required before training delivery. The Vendor must not include taxpayer or other personal identification information for real people in the materials.
- G. Training shall include employee testing and Program Evaluation. Trainees will receive a certificate of completion reflecting the employee's name, training module and training hours completed. Employee Testing means that participants have been tested to ensure that they can perform the specific job function tasks, and to what level of mastery. Program Evaluation means that participants have had the opportunity to evaluate the effectiveness of the training they received and provide feedback about improvements needed.
- H. The Vendor shall be responsible for ensuring that two (2) paper copies and one (1) editable electronic copy of all training materials are prepared and delivered for reproduction ten (10) working days prior to any class. At their option, DOR may elect to shorten the ten (10) working day requirement. DOR must have the right to reproduce all training materials delivered by the Vendor as often and as much as necessary, regardless of copyrights.
- I. The phased milestones for Training and Education deliverables shall be included in the Vendor's Project Plan and the associated MS Project Schedule to support the development lifecycle in a seamless and integrated manner. The Training and Education plan must be closely correlated with the Business Process Reengineering Plan.

3.2.7 Documentation

- A. The Vendor shall provide a master paper copy of all system documentation, as defined below, and an electronic copy on CD-ROM in MSWord (current version) format or other format agreed to by DOR. The documentation should include, at a minimum, the following items, both technical and functional, as appropriate:
- Operations Manual(s)
 - Procedures Manual(s)
 - System User's Guide(s)
 - Disaster Recovery Guide(s)
 - Security Guide(s)

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- B. Each manual shall be a complete guide to the performance of all activities associated with a particular function. The manuals shall progressively describe, in narrative fashion, each step involved in performing the activities. The manual for each function shall be organized by discrete activity and shall contain a comprehensive table of contents and a comprehensive index so as to direct readers to proper procedures for each activity. The manuals shall be printed on 8-½ inch by 11-inch paper and provided in standard, three ring binders to permit the incorporation of new instructions and revisions without the need for rewriting or reordering the entire manual.
 - C. The Vendor may propose the use of a documentation package that is accessible through an on-line help feature of the software, if the supplied software will accommodate a full or partial documentation package.
 - D. All system documentation must follow the standards provided by DOR. No software products will be accepted without the proper system documentation.
 - E. DOR must approve the format and content of the system documentation prior to any documentation being produced by the Vendor. In addition, complete documentation must be approved by DOR before any associated component will receive approval for system implementation.
 - F. The Vendor must provide copies, preferably in paper and electronic format, of technical, functional, systems and related documentation for all third party hardware and software components purchased as part of this project.
 - G. Documentation must be kept current during the warranty period.
 - H. The phased milestones for documentation deliverables shall be included in the Vendor's Project Plan and the associated MS Project Schedule.

3.2.8 Post Implementation

3.2.8.1 Maintenance and Support

- A. The Vendor shall provide one (1) full year of post-acceptance and implementation maintenance support for all components of the TIMS. The cost of this warranty maintenance must be included in the base cost of the contract.
- B. The Vendor is responsible for maintaining any software components of the TIMS during the one year post-implementation period (one year).
- C. Software maintenance means any and all services necessary to correct defects or problems in software, together with providing any and all Enhancements (as defined in Section 7.6.1), updates, bug fixes or other fixes to problems and functional

updates to the base system. The Vendor shall be responsible for all maintenance components, whether the product software is obtained from a subcontractor or purchased from a third party Vendor, for the duration of the project. Maintenance is required 24 hours, seven (7) days per week with a maximum two (2) hour response time. The system must remain compatible with the current levels of the DOR operating environment.

- D. The Vendor is responsible for managing all software upgrades. The implementation of the upgrades requires prior approval of DOR. DOR, at its discretion, may assume responsibility for performing upgrades to any and all components.

3.2.8.2 Post Acceptance and Implementation Warranty:

- A. Warranty support requires that the Vendor continue to serve as the single point of contact for all problems and maintenance or upgrade issues during the twelve month period beginning upon DOR's final system acceptance for all phases of the project.
- B. The Vendor must also provide problem determination and resolution for the production system during the warranty period for all components.

4 Proposal Content and Organization

The proposal should contain all relevant and material information relating to the Vendor's organization, personnel, and experience that would substantiate its qualifications and capabilities to perform the services and/or provide the goods described in this RFP. If any relevant and material information is not provided, the offer may be rejected from consideration and evaluation. Proposals will be considered and evaluated based upon the Vendor's full completion and response to the following, and any additional requirements herein, or stated in a separate exhibit.

4.1 Information and Descriptive Literature

Vendor must furnish all information requested; and if response spaces are provided in this document, the Vendor shall furnish said information in the spaces provided. Further, if required elsewhere in this RFP, each Vendor must submit sketches, descriptive literature and/or complete specifications covering the products offered with their proposal. References to literature submitted with a previous proposal will not satisfy this provision. Proposals that do not comply with these requirements may be rejected.

4.2 Proposal Content

Vendor's proposals must demonstrate compliance with all specifications, requirements and terms of performance.

- A. Clear understanding of the solution required by this RFP must be demonstrated in the:
- Vendor's Proposal, including, without limitation, supporting documentation, statements of work and/or service level agreements, and other materials, and
 - Vendor's Cost Proposal.
- B. Detailed description of Vendor's firm must include all of the following:
- Full name, Federal Tax identification number, address, and telephone number of the organization.
 - Date established.
 - Background of firm.
 - Ownership (public company, partnership, subsidiary, etc.).
 - If incorporated, state of incorporation must be included.
 - Number of full-time employees on January 1st for the last three years or for the duration Vendor's firm has been in business, whichever is less.



4.3 Errata or Exceptions

Any errata or exceptions must be stated on a separate page, labeled "Errata and/or Exceptions" with references to the corresponding terms or provisions of this RFP. DOR objects to and will not be required to evaluate or consider any additional terms and conditions submitted with a Vendor's response; nor any exceptions to the RFP's terms and conditions. This applies to any language appearing in or attached to any document presented as part of the Vendor's response.

4.4 Proposal Format

The proposal should be organized in the exact order in which the requirements and/or desirable performance criteria are presented in the RFP. The Execution page of this RFP must be placed at the front of the proposal. Each page should be numbered. The proposal should contain a table of contents, which cross-references the RFP requirement and the specific page of the response in the Vendor's proposal. The proposal should be typewritten on standard 8 ½ x 11 paper (larger paper is permissible for charts, spreadsheets, etc.) and placed within a binder with tabs delineating each section.

4.5 General Instructions

Vendors are strongly encouraged to adhere to the following general instructions in order to bring clarity and order to the proposal and subsequent evaluation process:

- Elaborate proposals in the form of brochures or other presentations beyond that necessary to present a complete and effective proposal are not desired.
- The response should be complete and comprehensive with a corresponding emphasis on being concise and clear.

4.6 Proposal Sequence and Forms

Within each section of their proposal, Vendors should address the items in the order in which they appear in this RFP. Forms, if any, provided in the RFP must be thoroughly completed and included in the appropriate section of the proposal. All discussion of proposed costs, rates, or expenses must be presented with the cost response.

4.7 Proposal Requirements

Any proposal that does not adhere to these requirements may be deemed non-responsive and rejected on that basis.

4.8 Additional Materials

Vendors may attach other materials that they feel may improve the quality of their responses. However, these materials should be included as items in a separate appendix.

4.9 Value Added Services

Vendors are encouraged to provide descriptions of any Value Added Services. Any Value Added Services may be presented as included in the base costs of the bid, or in alternative proposals if clearly marked as such with the phrase "alternate bid for 'name of Vendor'" and numbered sequentially with the first bid. This legend must be in bold type of not less than 14-point type on the face of the bid, and on the text of the alternative proposal. Value Added Services may comprise one or more services identified in the Proposal, if any, or other offerings of the Vendor. DOR is not obligated to accept or request any such services. For each such service offered by Vendor, describe the service in a separate response section titled "Value Added Services" illustrating the additional value of the service to DOR within the proposal submitted.

4.10 Proposal Organization

The proposal must be organized and indexed in the following format and must contain, at a minimum, all listed items in the sequence indicated.

4.10.1 Proposal Forms

This section of the proposal shall consist of the Execution of Proposal and the proposal forms. Proposal forms are in Appendix F.

- A. The Execution of Proposal
The person authorized by the organization to contractually obligate the organization must sign this form and submit it with the proposal.
- B. The Certifications and Assurances Form
The person authorized by the organization to contractually obligate the organization must sign this form and submit it with the proposal.
- C. The Acknowledgement of Compliance with Revenue Laws Form
The person authorized by the organization to contractually obligate the organization must sign this form and submit it with the proposal. Additionally, each individual who works on this project must also sign this form prior to starting on the project.

D. The Agreement for the Protection of Confidential Tax Information

The person authorized by the organization to contractually obligate the organization must sign this form and submit it with the proposal. Additionally, each individual who works on this project must also sign this form prior to starting on the project. This form is subject to change in future legislative sessions and the Vendor and each individual working on the project may be required to re-sign this agreement.

4.10.2 Letter of Transmittal

Letter of Transmittal - Each proposal must be accompanied by a letter of transmittal that provides the following information:

- Name of the submitting organization;
- Name, title, telephone and fax number, along with an e-mail address of the person authorized by the organization to contractually obligate the organization;
- Name, title, telephone and fax number, along with an e-mail address of the person authorized to negotiate the contract on behalf of the organization;
- Names, titles, telephone and fax number, along with an e-mail address of the person to be contacted for clarification;
- Acknowledgement of any and all amendments to this RFP.

4.10.3 Table of Contents

Include a table of contents.

4.10.4 Proposal Summary

A proposal summary may be included by Vendors to provide the Evaluation Committee with an overview of the technical and business features of the proposal; however, this material will not be used in the evaluation process unless specifically referenced from other portions of the Vendor's proposal

4.10.5 Vendor's Qualification and Direct Experience

In this section, details shall be provided on the Vendor's corporate and staff experience within the last five (5) years directly related to the proposed contract. This should include all related experience with tax systems in the state and/or federal tax environment. Vendor must provide at least three (3) such references.

The details of the Vendor's experience (and experience of subcontractor(s), if applicable) relevant to the proposed systems integration contract must cover:

-
- Experience in managing, designing, developing, converting, and implementing tax systems;
 - Experience in managing large-scale integration projects consisting of hardware, software and networking components;
 - Experience in large-scale data conversion projects;
 - Experience installing the proposed components in an already existing technical infrastructure including hardware, network, and software;
 - Experience in Internet enabled systems;
 - Experience in client/server development and implementation; and
 - Experience in developing interfaces and associated processes between new systems and current systems and other system platforms/environments (hardware and software), e.g. between client/server and mainframe.

For each referenced project, the Vendor must provide the customer name and address, a description of the work performed, whether as a prime contractor or subcontractor, the time period of the project (beginning and end dates), and two customer references (including business addresses, email addresses, and telephone numbers). The customer references must have been directly involved in the project. One reference must be a person in information technology and the other reference must be a business user. The Vendor must also provide a list of all major contract disputes.

4.10.6 Response to RFP

This section will include the Vendor's response to the requirements in this RFP. A full description of how the proposed solution will satisfy each of the stated requirements in Appendices A, B and C. In addition, for each requirement in Appendix C, the Vendor should provide one of the following rating:

- "Y" - If the proposed application software meets or exceeds this requirement with products that are generally available in production,
- "YM" - If the proposed application software meets or exceeds a portion of this requirement but requires the use of an additional tool (i.e. reporting tools, workflow tools, configurations, et.) to fully satisfy this requirement, or
- "N" - If the proposed application software does not meet this requirement, or requires modifications to source code, indicate "N".

The proposal should all describe how the implementation process would occur, all components of the technical environment (including a configuration architecture), the recommended training, the work flow modifications, business reengineering requirements, and required document preparation activities much be included. This description should also include quantities and specifications, as necessary. The Vendor should identify the major areas of risk associated with the implementation of the proposed solution and the approach for minimizing that risk. DOR is especially

interested in the Vendor's conversion experience, the expectation of data cleaning efforts and the estimated time and resource commitment required (Vendor and DOR) to ensure optimal data conversion and the minimization of data integrity errors in the future system.

Because of the need for the Department to phase the project, the Vendor's response should recommend an approach to the implementation that allows for separate and independent project phases. Each phase should be able to stand-alone and have distinct and quantifiable deliverables for the Department to accept, thereby indicating the end of the phase. Under no circumstances should the Vendor propose a plan that includes phases where tax types that are currently integrated in the ITAS system are implemented into the production TIMS environment separately from other existing ITAS tax types. This type of migration would degrade the current level of integration and is unacceptable. It would be acceptable for non-ITAS tax types to be integrated separately.

4.10.7 Conversion Approach Recommendation

DOR recognizes that data conversion is a critical aspect of the TIMS project and that there are complications associated with the conversion of data when migrating from an integrated system to an integrated system. In this section the Vendor must propose a data conversion approach for converting all existing ITAS and other system data into the integrated TIMS database. Data should be converted as the new functionality is brought into the TIMS production environment. The data conversion approach should address factors such as timing, staging, operational impacts, data cleansing, validation of conversion results, and impact to existing interfaces.

4.10.8 System Security

DOR and the State take particular care with respect to taxpayer information and Personal Identification Information (PII). In the proposal the Vendor must:

- describe what level of security are available and how data access is controlled for those levels,
- describe how the software is tested for software code problems such as poorly written code, back doors, logic bombs, etc., and
- describe any known successful attempts at compromising an installation of the software and what was done to remediate.

4.10.9 DOR Responsibilities

The Vendor must include in the proposal and project plan all tasks and deliverables that will be the responsibility of DOR, including but not limited to:

- Office environment (office space, computers, Internet access, etc.)
- Facility coordination assistance for the installation of the hardware / software infrastructure
- Detail requirements definition input
- Design reviews
- Conversion extracts
- User testing
- Selection of pilot participants
- Business Processing Re-engineering
- Training

Vendors should understand that regular peak processing times related to tax cycles may have an impact on resources and consideration must be given to the availability of resources during these times. DOR will make every effort to avoid such impacts.

4.10.10 Completed Cost Response Form

Vendors must include completed cost forms. The cost form is in Appendix F.

4.10.11 Financial Statement

Vendors must include financial information as defined in Section 6.2 of the RFP.

4.10.12 Conflict of Interest

Provide a statement that no assistance in preparing the response was received from any current or former employee of the State whose duties relate(d) to this RFP, unless such assistance was provided by the state employee in his or her official public capacity and that neither such employee nor any member of his or her immediate family has any financial interest in the outcome of this RFP.

State if the Vendor or any employee of the Vendor is related by blood or marriage to a State employee or resides with a State employee. If there are such relationships, list the names and relationships of said parties. Include the position and responsibilities within the Vendor's organization of such Vendor employees. State the employing State agency, individual's title at that State agency, and termination date.

4.10.13 Foreign Country Outsourcing

The Vendor must notify DOR if any jobs related to the services offered in the proposal are to be outsourced to other countries in accordance with Executive Order #60 (see Section 6.1)

4.10.14 Disclosure of Litigation

The Vendor must include the disclosure of litigation as defined in Section 6.3 of the RFP.

4.10.15 Copy of Vendor's License and Maintenance Agreements

Include copies of license and maintenance agreements if applicable.

4.10.16 Other Supporting Material Including Technical System Documentation

Vendors may optionally include additional supportive material.

4.10.17 Training and Other Materials, Samples or Examples

Vendors may optionally include sample and example material.

4.10.18 Logical System Design Template

Vendors must complete the Logical System Design Template located at <http://www.ncsta.gov/docs/System%20Design%20Template/technical%20architecture%20system%20design%20template.doc>.

5 Cost Proposal

This section describes in detail the requirements to be addressed by the Vendor in preparing the Cost Proposal. All subsections are to be considered as mandatory requirements, unless otherwise indicated.

5.1 Cost Offer

The Vendor must provide the total cost, based on the Scope of Work defined in this RFP, for all components of the proposed solution.

The cost proposed will be a total not-to-exceed cost. The Vendor must complete the cost form in Appendix F. Selection of specific software and hardware to replace ITAS and the current technical environment depends entirely on the best business solution for the Department of Revenue and the cost effectiveness of the intended business solution. Total cost considerations include the initial cost to purchase and install the software and hardware to implement TIMS as well as ongoing maintenance and operations costs for five (5) years.

The Vendor shall propose a payment schedule consistent with the proposed phased implementation approach. DOR will evaluate the proposed payment schedule and finalize with the Vendor during the negotiation process prior to contract award. The Vendor must propose payments that are tied to milestones that implement production functionality and/or provide DOR with a deliverable that can stand alone and adds value to DOR operations regardless of the continuation of the project. For instance, delivery and implementation of hardware infrastructure or production implementation of business functionality would be acceptable. The number of payments the Vendor may propose is variable but should not be excessive. The Cost Form should be used to propose the payment schedule.

5.2 Optional Products or Services

If there are additional products or services that the Vendor would recommend as part of the proposed solution to enhance functionality of the proposed system, which are not specifically required, the Vendor may provide an itemized cost list of such functions and/or products for consideration by DOR. A detailed explanation of the business benefits and functionality must also be provided. Do not include these costs in the total cost bid.



5.3 Change Orders

The Vendor must submit in the Cost Proposal its hourly rate for performing any Change Orders requested by DOR. This rate must be fully loaded to include any travel or per diem costs and must be for the duration of the project.

DOR may engage a third party to assess the cost estimate. DOR may engage a third party to implement the Change Order in place of the Vendor. If a third party is utilized to implement a Change Order the Vendor must fully cooperate with the third party including but not limited to providing documentation, system access, assistance, test data, and integration.

5.4 Maintenance, Support, and Licenses

The Vendor must provide the annual recurring costs for the system including but not limited to maintenance, support, and software license costs. These costs must be included on the cost form in Appendix F.



6 Other Requirements and Special Terms

6.1 Vendor Utilization of Workers Outside U.S.

In accordance with Executive Order #60, the Vendor must detail in the bid response, the manner in which it intends to utilize resources or workers located outside of the United States. DOR will evaluate the additional risks, costs, and other factors associated with such utilization prior to making an award for any such Vendor's proposal. The Vendor shall provide the following for any proposal or actual utilization or contract performance outside of the United States:

- The location of work performed under a state contract by the Vendor, any subcontractors, employees, or other persons performing the contract
- The corporate structure and location of corporate employees and activities of the Vendors, its affiliates or any other subcontractors
- Notice of the relocation of the Vendor, employees of the Vendor, subcontractors of the Vendor, or other persons performing services under a state contract outside of the United States.
- Any Vendor or subcontractor providing call or contact center services to the State shall disclose to inbound callers the location from which the call or contact center services are being provided.

6.2 Financial Statements and Information

The Vendor shall provide evidence of financial stability with its response to this RFP as further described herein below. As used herein, Financial Statements shall exclude tax returns and compiled statements.

For a publicly traded company, Financial Statements for the past three (3) fiscal years, including at a minimum, income statements, balance sheets, and statement of changes in financial position or cash flows. If three (3) years of financial statements are not available, this information shall be provided to the fullest extent possible, but not less than one year. If less than three (3) years, Vendor must explain the reason why they are not available. (With approval of DOR fiscal officers, consider - Alternatively, Vendors may submit opinions of Certified Public Accountants, together with opinions of counsel for the past three (3) fiscal years.)

For a privately held company, when certified audited financial statements are not prepared: a written statement from the company's certified public accountant stating

the financial condition, debt-to-asset ratio for the past three (3) years and any pending actions that may affect the company's financial condition.

DOR may, in its sole discretion, accept evidence of financial stability other than Financial Statements for the purpose of evaluating Vendors' responses to this RFP. DOR reserves the right to determine whether the substitute information meets the requirements for Financial Information sufficiently to allow DOR to evaluate the sufficiency of financial resources and the ability of the business to sustain performance of the contract award.

6.3 Disclosure of Litigation

The Vendor's failure to fully and timely comply with the terms of this section, including providing reasonable assurances satisfactory to DOR, may constitute a material breach of this Contract.

The Vendor shall notify DOR in its bid proposal, if it, or any of its subcontractors, or their officers, directors, or key personnel who may provide services under any contract awarded pursuant to this RFP, have ever been convicted of a felony, or any crime involving moral turpitude, including, but not limited to fraud, misappropriation or deception. Vendor shall promptly notify DOR of any criminal litigation, investigations or proceeding involving Vendor or any subcontractor, or any of the foregoing entities' then current officers or directors during the term of this Contract or any Scope Statement awarded to Vendor.

Vendor shall notify DOR in its bid proposal, and promptly thereafter as otherwise applicable, of any civil litigation, arbitration, proceeding, or judgments against it or its subcontractors during the three (3) years preceding its bid proposal, or which may occur during the term of any contract awarded to Vendor pursuant to this RFP, that involve (1) services or related goods similar to those provided pursuant to any contract and that involve a claim in excess of \$25,000.00 or that may affect the viability or financial stability of the Vendor, or (2) a claim or written allegation of fraud by the Vendor or any subcontractor hereunder, arising out of their business activities, or (3) a claim or written allegation that the Vendor or any subcontractor hereunder violated any federal, state or local statute, regulation or ordinance. Multiple lawsuits and or judgments against the Vendor or subcontractor, in any an amount less than \$25,000.00 shall be disclosed to DOR to the extent they affect the financial solvency and integrity of the Vendor or subcontractor.

All notices under the two paragraphs above herein shall be provided in writing to DOR within thirty (30) calendar days after the Vendor learns about any such criminal or civil matters; unless such matters are governed by the ITS General Terms and Conditions annexed to the RFP. Details of settlements which are prevented from disclosure by the

terms of the settlement shall be annotated as such. Vendor may rely on good faith certifications of its subcontractors addressing the foregoing, which certifications shall be available for inspection at the option of DOR.

6.4 Criminal Conviction

In the event the Vendor, an officer of the Vendor, or an owner of a 25% or greater share of the Vendor, is convicted of a criminal offense incident to the application for or performance of a State, public or private Contract or subcontract; or convicted of a criminal offense including but not limited to any of the following: embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, attempting to influence a public employee to breach the ethical conduct standards for State employees; convicted under State or federal antitrust statutes; or convicted of any other criminal offense which in the sole discretion of DOR, reflects upon the Vendor's business integrity.

6.5 Security & Background Checks

DOR will conduct a security background check or otherwise approve any employee or agent provided by Vendor, and reserves the right to refuse access to or require replacement of any such personnel for cause, including, but not limited to, technical or training qualifications, quality of work or change in security status or non-compliance with DOR's security or other requirements. This approval requirement shall not relieve Vendor of its obligations to perform all work in compliance with the Contract terms. DOR reserves the right to reject and/or bar any Vendor personnel, whether employee or agent, from DOR facilities for cause. Facilities, as used herein, shall comprise physical, internet based resources or interfaces, intranet resources, or informational resources.

6.6 Assurances

In the event that criminal or civil investigation, litigation, arbitration or other proceedings disclosed to DOR pursuant to this Section, or of which DOR otherwise becomes aware, during the term of this Contract, causes DOR to be reasonably concerned about:

- the ability of the Vendor or its subcontractor to continue to perform this Contract in accordance with its terms and conditions, or
- whether the Vendor or its subcontractor in performing services is engaged in conduct which is similar in nature to conduct alleged in such investigation, litigation, arbitration or other proceedings, which conduct would constitute a breach of this Contract or violation of law, regulation or public policy,

then the Vendor shall be required to provide DOR all reasonable assurances requested by DOR to demonstrate that the Vendor or its subcontractors hereunder will be able to continue to perform this Contract in accordance with its terms and conditions, and the Vendor or its subcontractors will not engage in conduct in performing services under this Contract which is similar in nature to the conduct alleged in any such litigation, arbitration or other proceedings.

6.7 Project Management Methodology Standard

The State has adopted a standard Project Management Methodology (PMM) for use on all Information Technology (IT) based projects. Vendors may obtain a copy of these procedures from <http://www.epmo.scio.nc.gov>.

DOR will be responsible for ensuring that the State standards are adhered to. The Vendor shall adhere to the project management requirements specified by DOR in Appendix B. DOR will provide the applicable documentation and internal agency processes for the methodology. If the Vendor requires training on the methodology, those costs shall be the responsibility of the Vendor, unless otherwise stated. The list of required materials/deliverables is subject to change.

6.8 Confidentiality of State Data, Material and Information

The Vendor and its agents shall maintain the security and confidentiality of all data (including without limitation State Data (as defined in Section 7.6.1)), information, working papers, and other documents related to the Contract. Any use, sale, or offering of this data in any form by the Vendor, its employees, or assignees without the prior written approval of DOR shall be a violation of the Contract. Any violation shall be considered a material breach of the Contract.

The Vendor shall treat all information that is obtained through its performance under the Contract as confidential information. The Vendor shall not use any information so obtained in any manner except as provided for herein. DOR, the State auditors, the State Attorney General, and Federal officials as authorized by Federal law or regulations, as well as the authorized representatives of the foregoing, shall have access to all confidential information in accordance with the requirements of State and Federal laws and regulations. No other person or entity shall be granted access to confidential information unless State and Federal laws and regulations allow such access. Use or disclosure of confidential information shall be limited to purposes directly connected with the administration of the Contract.

The Vendor shall safeguard and protect any data, documents, files, and other materials received from the State or DOR during performance of any contractual obligation from



loss, destruction, or erasure, including without limitation through Vendor's performance of its duties set forth in Section 7.43.

The Vendor specifically warrants that it, its officers, directors, principals, employees, suppliers and any subcontractors shall hold all information received during performance of the Contract in the strictest confidence and shall not disclose the same to any third party without the express written approval of DOR.

The Vendor warrants that all of its employees and any approved third party subcontractors are subject to a non disclosure and confidentiality agreement that is enforceable in North Carolina and sufficient in breadth to include and protect confidential information of the State. The Vendor shall, upon request of DOR, verify and produce true copies of any such agreements. Production of such agreements by the Vendor may be made subject to applicable confidentiality, non disclosure, or privacy laws, provided that the Vendor produces satisfactory evidence supporting exclusion of such agreements from disclosure under the North Carolina Public Records laws in N.C.G.S. §132 1 et. seq. DOR may, in its sole discretion, provide a non disclosure and confidentiality agreement satisfactory to DOR for the Vendor's execution. DOR may exercise its rights under this Section as necessary or proper, in its discretion, to comply with applicable security regulations or statutes, including, but not limited to, 26 U.S.C. 6103 and IRS Publication 1075 (Tax Information Security Guidelines for Federal, State, and Local Agencies and Entities), HIPAA, any implementing regulations in the Code of Federal Regulations, and any future regulations imposed upon the Office of Information Technology Services or the North Carolina Department of Revenue pursuant to future statutory or regulatory requirements.

The Vendor warrants that without prior written approval of DOR, the Vendor shall not incorporate confidential or proprietary information of any person or entity not a Party to the Contract into any materials furnished to DOR hereunder, nor without such approval shall the Vendor disclose to DOR or induce DOR to use any confidential or proprietary information of any person or entity not a Party to the Contract.

The foregoing confidentiality provisions will not prevent the Vendor from disclosing information that (i) at the time of disclosure by DOR or the State is already known by the Vendor without an obligation of confidentiality other than under this Contract, (ii) is publicly known or becomes publicly known through no act of the Vendor other than an act that is authorized by the State, (iii) is rightfully received by the Vendor from a third party and the Vendor has no reason to believe that the third party's disclosure was in violation of an obligation of confidence to DOR or the State, (iv) is independently developed by the Vendor without use of the State's confidential information, (v) is disclosed without similar restrictions to a third party by the State, or (vi) is required to be disclosed pursuant to a requirement of Law (as defined in Section 7.43) or a Governmental Authority (as defined in Section 7.43), so long as the Vendor, to the



extent possible, provides the State with timely prior notice of such requirement and coordinates with DOR in an effort to limit the nature and scope of such required disclosure.

Except to the extent otherwise required by Law or a Governmental Authority, Vendor shall not withhold the State Data or any other State confidential information or refuse for any reason to promptly return to the State the State Data and any other State confidential information (including copies thereof) if requested to do so on such media as reasonably requested by the State, even if the State is then or is alleged to be in breach of the Contract. As a part of Vendor's obligation to provide the State Data pursuant to this Section, Vendor will also provide the State any data maps, documentation, software, or other materials necessary, including, without limitation, handwritten notes, materials, working papers or documentation, for the State to use, translate, interpret, extract and convert the State Data and any other State confidential information for use by the State or any third party.

"Security Breach" means (i) any circumstance pursuant to which applicable Law requires notification of such breach to be given to affected parties or other activity in response to such circumstance; or (ii) any actual, attempted, suspected, threatened, or reasonably foreseeable circumstance that compromises, or could reasonably be expected to compromise, either Physical Security or Systems Security (as such terms are defined below) in a fashion that either does or could reasonably be expected to permit unauthorized Processing (as defined below), use, disclosure or acquisition of or access to any the State Data or state confidential information.

"Physical Security" means physical security at any site or other location housing systems maintained by Vendor or its agents or subcontractors in connection with the Services (as defined below).

"Systems Security" means security of computer, electronic or telecommunications systems of any variety (including data bases, hardware, software, storage, switching and interconnection devices and mechanisms), and networks of which such systems are a part or communicate with, used directly or indirectly by Vendor or its agents or subcontractors in connection with the Services.

"Processing" means any operation or set of operations performed upon the State Data or State confidential information, whether or not by automatic means, such as creating, collecting, procuring, obtaining, accessing, recording, organizing, storing, adapting, altering, retrieving, consulting, using, disclosing or destroying.

"Services" shall mean the services and Deliverables (as defined in Section 7.20) to be delivered by Vendor pursuant to the Contract, including, without limitation, the inherent services described in Section 7.1.4.



6.8.1 Breach Notification

In the event Vendor becomes aware of any Security Breach due to Vendor acts or omissions other than in accordance with the terms of the Contract, Vendor shall, at its own expense, (i) immediately notify the DOR Contract Administrator of such Security Breach and perform a root cause analysis thereon, (ii) investigate such Security Breach, (iii) provide a remediation plan, acceptable to DOR, to address the Security Breach and prevent any further incidents, (iv) conduct a forensic investigation to determine what systems, data and information have been affected by such event; and (v) cooperate with DOR, and any law enforcement or regulatory officials, credit reporting companies, and credit card associations investigating such Security Breach. DOR shall make the final decision on notifying DOR's persons, entities, employees, service providers and/or the general public of such Security Breach, and the implementation of the remediation plan. If a notification to a customer is required under any Law or pursuant to any of the State's privacy or security policies, then notifications to all persons and entities who are affected by the same event (as reasonably determined by the State) shall be considered legally required.

6.8.2 Notification Related Costs

Vendor shall reimburse the State for all Notification Related Costs incurred by the State arising out of or in connection with any Security Breach due to Vendor acts or omissions other than in accordance with the terms of the Contract resulting in a requirement for legally required notifications. "Notification Related Costs" shall include the State's internal and external costs associated with addressing and responding to the Security Breach, including but not limited to: (i) preparation and mailing or other transmission of legally required notifications; (ii) preparation and mailing or other transmission of such other communications to customers, agents or others as the State deems reasonably appropriate; (iii) establishment of a call center or other communications procedures in response to such Security Breach (e.g., customer service FAQs, talking points and training); (iv) public relations and other similar crisis management services; (v) legal and accounting fees and expenses associated with the State's investigation of and response to such event; and (vi) costs for credit reporting services that are associated with legally required notifications or are advisable, in the State's opinion, under the circumstances. In the event that Vendor becomes aware of any Security Breach which is not due to Vendor acts or omissions other than in accordance with the terms of the Contract, Vendor shall immediately notify the State of such Security Breach, and the Parties shall reasonably cooperate regarding which of the foregoing or other activities may be appropriate under the circumstances, including any applicable charges for the same.



6.9 Contract Performance Security

The awarded Vendor must provide Contract Performance Security based upon 100% of the Contract cost total. The contract performance security must be provided by the awarded Vendor to the DOR Procurement office, in one of the following forms, within ten (10) working days from the Request for Documents notice. **ONLY THE FOLLOWING TYPES OF SECURITY ARE ACCEPTABLE AND MUST BE IN ORIGINAL FORM: FACSIMILE OR PHOTOCOPIES ARE NOT ACCEPTABLE:**

1. a sufficient bond from a surety company licensed in North Carolina with a Best's rating of no less than A; or
2. lawful money of the United States; or
3. a cashier's check, certified check, bank money order, certificate of deposit, money market certificate, or bank draft drawn or issued by a federally or state-chartered bank or savings and loan association that is insured by, or for which, insurance is administered by the FDIC or that is drawn and issued by a credit union insured by the national credit union insurance fund. Certificates of deposit or money market certificates will not be accepted as security for bid, proposal or contract security unless the certificates are assigned to DOR. All interest income from these certificates must accrue only to the Vendor and not DOR.

Personal or business checks are not acceptable.

This security must remain in effect for the entire contract period.

6.10 Stop Work Order

DOR may issue a written Stop Work Order to Vendor for cause at any time requiring Vendor to suspend or stop all, or any part, of the performance due under this Contract for a period up to 90 days after the Stop Work Order is delivered to the Vendor. The 90-day period may be extended for any further period for which the parties may agree. The Stop Work Order shall be specifically identified as such and shall indicate that it is issued under this term. Upon receipt of the Stop Work Order, the Vendor shall immediately comply with its terms and take all reasonable steps to minimize incurring costs allocable to the work covered by the Stop Work Order during the period of work suspension or stoppage. Within a period of 90 days after a Stop Work Order is delivered to Vendor, or within any extension of that period to which the parties agree, DOR shall either:

1. Cancel the Stop Work Order, or

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2. Terminate the work covered by the Stop Work Order as provided for in the termination for default or the termination for convenience clause of this Contract.
 3. If a Stop Work Order issued under this clause is canceled or the period of the Stop Work Order or any extension thereof expires, the Vendor shall resume work. DOR shall make an equitable adjustment in the delivery schedule, the Contract price, or both, and the Contract shall be modified, in writing, accordingly, if:
 - o The Stop Work Order results in an increase in the time required for, or in the Vendor's cost properly allocable to the performance of any part of this Contract, and
 - o The Vendor asserts its right to an equitable adjustment within 30 days after the end of the period of work stoppage; provided that if DOR decides the facts justify the action, DOR may receive and act upon a proposal submitted at any time before final payment under his Contract.
 4. If a Stop Work Order is not canceled and the work covered by the Stop Work Order is terminated in accordance with the provision entitled Termination for Convenience, DOR shall allow reasonable direct costs resulting from the Stop Work Order in arriving at the termination settlement. DOR shall not be liable to the Vendor for loss of profits because of a Stop Work Order issued under this term.

6.11 Transition Assistance

If this Contract is canceled prior to its expiration, for any reason, the Vendor must provide for up to six (6) months after the expiration or cancellation of this Contract, all reasonable transition assistance requested by DOR, to allow for the expired or canceled portion of the Services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to DOR or its designees. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of this Contract, (notwithstanding this expiration or cancellation) except for those Contract terms or conditions that do not reasonably apply to such transition assistance. DOR shall pay the Vendor for any resources utilized in performing such transition assistance at the most current rates provided by the Contract for Contract performance. If DOR cancels this Contract for cause, then DOR will be entitled to offset the cost of paying the Vendor for the additional resources the Vendor utilized in providing transition assistance with any damages the State may have otherwise accrued as a result of said cancellation.

6.12 Liquidated Damages

The State and the Vendor hereby agree to the specific standards set forth in this Contract. It is agreed between the Vendor and the State that the actual damages to the State as a result of Vendor's failure to meet the contract schedule and associated deliverables would be difficult or impossible to determine with accuracy. The State and the Vendor therefore agree that liquidated damages as set out herein shall be a reasonable, non-punitive approximation of the damages that shall be suffered by the State as a result thereof.

Accordingly, in the event of failure by the Vendor to meet the contract schedule and associated deliverables, the Vendor shall, upon written notification by the State, pay the State liquidated damages as set out herein. Amounts due the State as liquidated damages, if not paid by the Vendor within fifteen (15) days of the written notification, will be deducted by the State from any money payable to the Vendor pursuant to this Contract.

The Vendor shall not be liable for liquidated damages when, in the opinion of the State, incidents or delays result directly from causes beyond the control and without the fault or negligence of the Vendor. Such causes may include, but are not restricted to, acts of God, fires, floods, epidemics, and labor unrest; but in every case the delays must be beyond the control and without the fault or negligence of the Vendor.

Liquidated damages will be assessed in the amount of one (1) percent of the total cost for the contract for every 30 days by which the Vendor fails to meet the key milestone dates and/or associated deliverables, as mutually agreed upon at contract initiation.

If the State elects not to impose liquidated damages in a particular instance, this decision shall not be construed as a waiver of the State's right to pursue future assessment of performance standards and associated damages; nor shall it be construed to limit any additional remedies available to the State.

DOR's rights set forth in this Section 6.12 are in addition to but not in lieu of any remedies afforded to DOR under the Contract or by law.

7 Contractual Terms and Conditions

The Contract (defined below) is being entered into by DOR on behalf of the State.

The contract between the State and the Vendor shall consist of the following (the "Contract"):

- Amendments to the Contract in reverse numerical order;
- The Vendor's Best and Final Offer (BAFO), if a BAFO is solicited;
- The Vendor's Proposal and any amendments thereto, as well as any statements of work and any written clarifications or representations regarding Vendor's Proposal that are accepted by DOR and incorporated as part of the procurement process;
- Any addenda to the RFP (including without limitation the formal Questions and Answers); and
- The RFP, inclusive of appendices, exhibits, documents, and other materials incorporated therein by reference.

The order of precedence among the Contract documents shall be in the order listed above, with the first listed having the highest priority. In the event there is a disagreement as to the obligations of the Parties arising from different terms in the Contract documents, the term in a higher precedence document shall supersede the terms of a lower precedence document to the extent necessary to resolve any inconsistencies between them, but silence on any matter in a higher precedence document shall not negate or modify the provisions of a lower precedence document as to that matter.

If the Vendor has offered in its Proposal to meet performance standards or requirements that are more stringent than the minimum specified in the RFP, the State shall be considered to have accepted this offer of more stringent requirements by award of the Contract to the Vendor. Under no circumstances shall requirements that are less stringent than the RFP requirements be accepted or become a part of the Contract unless specifically agreed to by the State in writing.

7.1 Standards

Manufactured items and/or fabricated assemblies comprising Deliverables shall meet all requirements of the Occupational Safety and Health Act (OSHA), and State and federal requirements relating to clean air and water pollution, if applicable. Vendor will provide and maintain a quality assurance system or program that includes any Deliverables and will tender to the State only those Deliverables that have been inspected and found to

conform to the requirements of this Contract. All manufactured items and/or fabricated assemblies comprising Deliverables are subject to operation, certification or inspection, and accessibility requirements as required by:

- Laws or Regulatory Requirements (as defined in Section 7.43),
- The State Chief Information Officer's (SCIO) policy or regulation, or
- Acceptance with appropriate standards of operations or uses of said Deliverables as may be shown by identification markings or other means of the appropriate certifying standards organization.

7.1.1 Site Preparation

Vendors shall provide the State complete site requirement specifications for the Deliverables, if any. These specifications shall ensure that the Deliverables to be installed shall operate properly and efficiently within the site environment. The Vendor shall advise the State of any site requirements for any Deliverables required by the State's specifications. Any alterations or modification in site preparation which are directly attributable to incomplete or erroneous specifications provided by the Vendor and which would involve additional expenses to the State, shall be made at the expense of the Vendor.

7.1.2 Goods Return

Deliverables and any other goods or materials furnished by the Vendor to fulfill technical requirements shall be in good working order and be maintained in good working order by Vendor for the duration of the Contract; unless otherwise provided in a separate maintenance agreement or in the RFP. Deliverables failing to meet the State's technical requirements shall be considered non-conforming goods and subject to return to the Vendor for replacement at the State's option, and at the Vendor's expense. The State is responsible for the return costs related to the termination of a Contract, including de-installation, and freight to destinations within the Continental United States; except in the case of default by the Vendor or delivery of non-conforming goods by Vendor. Shipping or freight charges, if any, paid by the State for non-conforming goods will be reimbursed to the State.

7.1.3 Specifications

The apparent silence of the specifications as to any detail, or the apparent omission of detailed description concerning any point, shall be regarded as meaning that only the best commercial practice is to prevail and only material and workmanship of the first quality may be used. Upon any notice of noncompliance provided by the State, Vendor shall supply proof of compliance with the specifications. Vendor must provide written notice of its intent to deliver alternate or substitute products, goods or Deliverables. Alternate or substitute products, goods or Deliverables may be accepted or rejected in

the sole discretion of the State; and any such alternates or substitutes must be accompanied by Vendor's certification and evidence satisfactory to the State that the function, characteristics, performance and endurance will be equal or superior to the original Deliverables specified.

7.1.4 Inherent Services

If any services, deliverables, functions or responsibilities not specifically described in the RFP are required for the proper performance and provision of the solution, provision, and delivery of the Services and Deliverables (including, without limitation, the hardware, software, tangibles, and intangibles required hereunder) to be delivered by Vendor pursuant to the Contract (the "TIMS Solution"), or are an inherent part of or necessary sub-task included within the proposed TIMS Solution, they will be deemed to be implied by and included within the scope of the TIMS to the same extent and in the same manner as if specifically described in the Contract. Unless otherwise expressly provided in the Contract, Vendor will furnish all necessary management, supervision, labor, facilities, furniture, computer and telecommunications equipment, software, supplies and materials necessary to provide the proposed TIMS Solution to be delivered by Vendor.

7.2 Warranties

Vendor hereby assigns to the State, and the State shall have the benefit of, any and all warranties, representations, service agreements and indemnities for the Deliverables (including, but not limited to, Third Party Software (as defined in Section 7.6.1) and all equipment provided under this Contract).

7.3 Personnel

The services of each individual named in the Vendor's Proposal, including all Key Personnel (as defined in Section 3.2.1.2), shall be required unless that individual becomes unavailable to the Vendor for reasons affecting the basic employment relationship, such as the individual's death, disability, or termination for cause. Staffing shall include named individuals at the level of effort proposed. Vendor shall not substitute Key Personnel assigned to the performance of this Contract without prior written approval by the DOR Contract Administrator. The Vendor shall provide written notification to DOR's Contract Administrator a minimum of ten (10) working days in advance of any intent to remove or change Key Personnel. Vendor's written notification shall include the names and references of Vendor's recommended substitute personnel. If the DOR Contract Administrator is not reasonably satisfied that the proposed replacement has comparable ability and experience, he/she shall so inform the Vendor in writing within three (3) State business days after the later of receiving the résumé or completing any interview of the proposed replacement. Within ten (10) working days



after being so informed, the Vendor shall propose another replacement and the DOR Contract Administrator shall have the same right of approval. Such process shall be repeated until a proposed replacement shall be approved by the State.

The State may, in its sole discretion, terminate the services of any person providing services under this Contract. Upon such termination, the State may request acceptable substitute personnel or terminate the contract services provided by such personnel. If the State requests substitute personnel, then the Vendor must replace the personnel within ten (10) working days with an equally qualified individual. The State will approve or disapprove of the substitution in same manner provided above.

The Vendor shall designate a Contract Manager who shall have the authority to enter into any Contract modifications on behalf of the Vendor and otherwise commit the Vendor to any course of action, undertaking, obligation, or responsibility in connection with the Vendor's performance of the Contract.

The Vendor shall designate a Vendor Project Manager who shall have day-to-day responsibility for supervising the performance of the Vendor's obligations under the Contract.

7.4 Subcontracting

The Vendor may subcontract the performance of required services with other vendors or third parties, or change subcontractors, only with the prior written consent of the contracting authority. Vendor shall provide the State with complete copies of any agreements made by and between Vendor and all subcontractors. The selected Vendor remains solely responsible for the performance of its subcontractors. Subcontractors, if any, shall adhere to the same standards required of the selected Vendor. Any contracts made by the Vendor with a subcontractor shall include an affirmative statement that the State is an intended third party beneficiary of the contract; that the subcontractor has no agreement with the State; and that the State shall be indemnified by the Vendor for any claim presented by the subcontractor. Notwithstanding any other term herein, Vendor shall timely exercise its contractual remedies against any non-performing subcontractor and, when appropriate, substitute another subcontractor.

7.5 Vendor's Representations and Warranties

Vendor represents, warrants, and covenants as follows:

7.5.1 Representations and Warranties

Vendor and its subcontractors shall provide services in a professional manner. "Professional manner" means that the personnel performing the services will possess the skill and competence consistent with the prevailing business standards in the

information technology industry. Vendor shall not enter any agreement with a third party that might abridge any rights of the State under this Contract. Vendor shall serve as the prime Vendor under this Contract. Should the State approve any subcontractor(s), the Vendor shall be legally responsible for the performance and payment of the subcontractor(s). Names of any third party Vendors or subcontractors of Vendor may appear for purposes of convenience in Contract documents; and shall not limit Vendor's obligations hereunder. Third party subcontractors, if approved, may serve as subcontractors to Vendor. Vendor shall retain executive representation for functional and technical expertise as needed in order to incorporate any work by third party subcontractor(s).

7.5.2 Technology

Vendor shall provide the Deliverables and Services using technology at a level substantially equivalent for the provision of services substantially similar to those Deliverables and Services described herein and comprising the TIMS Solution. Vendor shall apprise itself of changes and advancements in the technology necessary to provide the Services. In performing the Services, Vendor shall utilize processes, procedures and practices that are no less effective than the practices it utilizes in performing services for its other customers, if any, who receive services substantially similar to those Services received by the State. Vendor's processes, procedures, and practices shall, at a minimum, be no less effective than those of similarly situated providers offering services substantially similar to those Services received by the State.

7.5.3 Efficiency and Cost Effectiveness

Vendor shall (i) efficiently use the resources and services necessary to provide the Services and (ii) perform the Services in the most cost-effective manner consistent with the required level of quality and performance.

7.5.4 Date and Time

Any deliverable, whether hardware, firmware, middleware, custom or commercial software, internal components, subroutines, and interfaces, that performs any data and/or time data recognition function, calculation, or sequencing, shall provide accurate date/time data and leap year calculations. This warranty shall survive termination or expiration of the Contract.

7.5.5 Viruses

Vendor shall screen any software or data files provided or made available by it to the State hereunder or used by Vendor (or any Vendor agent, contractor, subcontractor or representative) in performance of the Services and shall use then-current industry-standard anti-virus software programs for the purpose of avoiding the introduction of any "virus" or other computer software routine or hardware components which are

designed to disable or damage hardware or designed to damage, erase or delay access to software or data. Vendor will assist the State's recovery from the introduction of any such virus. Vendor warrants that the Software and associated materials do not contain any surreptitious programming codes, viruses, Trojan Horses, "back doors" or other means to facilitate or allow unauthorized access to the State's information systems.

7.5.6 Disabling Devices

Vendor shall prevent the insertion of any device created for the purpose of disabling or otherwise shutting down all or any portion of the Services (the "Disabling Code") in any software provided or made available by Vendor to the State or used by Vendor during performance of the Services. With respect to any Disabling Code that may be part of such software, Vendor shall not invoke, nor permit any Vendor agent, contractor, subcontractor or representative to invoke, such Disabling Code at any time, including upon the expiration or termination of the Contract for any reason.

7.5.7 Data

Vendor shall cause all data and information created by it to be timely and accurate. Vendor will use then-current industry-standard software and processes, and such other requirements identified herein, to protect data (including, without limitation State Data (as defined in Section 7.6.1) from unauthorized access.

7.5.8 Compliance with Immigration Laws

None of Vendor's personnel working under the Contract is an unauthorized alien under, and that Vendor shall at all times comply with the U.S. Immigration Reform and Control Act of 1986 and its successor, if any, and any implementing regulations. Vendor shall not assign Services to be performed to any Vendor personnel who are unauthorized aliens, and, if any Vendor personnel performing any of the Services are discovered to be an unauthorized alien, Vendor shall immediately remove such personnel from performing Services hereunder and shall replace such personnel with personnel who are not an unauthorized alien.

7.5.9 Services, Deliverables, Systems and Equipment

The Services, Deliverables (as defined in Section 7.20), systems, and equipment used or provided by Vendor (i) shall be free of all defects (including defects in material and workmanship); (ii) shall be designed, shall function, and shall conform with the requirements set forth in the Contract, (including, without limitation, the requirements set forth in Vendor's Proposal); and (iii) shall be subject to such further warranty provisions pertaining to services, deliverables, systems, and equipment as are set forth in Vendor's Proposal. The warranty set forth in this Section 7.5.9 shall be in full force and effect from the Effective Date of the Contract and continuing through one full year of post-implementation of the TIMS Solution, or until the termination or expiration of the Contract, whichever occurs later.

7.5.10 Good Faith Response, Reasonable Execution

Prior to the Effective Date, Vendor received or had access to all information which it deemed necessary for Vendor to respond in good faith to the RFP and, to its knowledge, Vendor has requested and received all information it deems necessary to cause its execution of the Contract to be appropriately informed and undertaken reasonably. Vendor does not, to its knowledge, lack any information or know of any state of affairs or circumstances that cause Vendor to anticipate requesting any amendments to the Contract after its execution.

7.5.11 Additional Representations and Warranties

Vendor makes such additional representations and warranties as are set forth in the Vendor's Technical Proposal.

7.5.12 Intellectual Property

- (i) The Licensed Software (as defined in Section 7.6.1), the Custom Software (as defined in Section 7.6.1), the Third Party Software (as defined in Section 7.6.1), the Services (as defined in Section 6.8), the Deliverables (as defined in Section 7.20), or any other item, system, deliverable, software, or service provided or used under the Contract by Vendor (or any Vendor agent, contractor, subcontractor, or representative), or any use thereof shall not infringe, violate, or misappropriate the Intellectual Property Rights of a third party.
- (ii) There are no actual or threatened actions or claims arising from use of such Licensed Software, Custom Software, Third Party Software, the Services, the Deliverables, or any other item, system, deliverable, software, or service provided or used under the Contract by Vendor, or alleged under, any Intellectual Property Rights of any third party.

7.5.13 No Source Code Revisions Necessary

The TIMS Solution, shall ensure that the State has the ability to modify the type and number of taxes accounted for and administered, and any such modification shall not require the revision of the underlying source code of any Licensed Software, Custom Software, or Third Party Software.

7.5.14 Warranty Disclaimer

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THE CONTRACT AND VENDOR'S TECHNICAL PROPOSAL, VENDOR MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING ANY MATTER, INCLUDING THE MERCHANTABILITY, SUITABILITY, ORIGINALITY, FITNESS FOR A PARTICULAR USE OR PURPOSE OF THE SOLUTION OR ANY OTHER MATERIALS DELIVERED HEREUNDER.

7.6 Licenses and Proprietary Rights

7.6.1 Definitions

“Computer Program” means a series of instructions or statements on any type of media and in any form or format whatsoever, and including, without limitation, all subroutines, translations, compilers, diagnostic routines, control programs, and related programs.

“COTS Software” means:

- (a) Any software that is of a type customarily used by the general public or by non-governmental entities for purposes other than governmental purposes, and:
 - (i) Has been sold, leased, or licensed to the general public; or,
 - (ii) Has been offered for sale, lease, or license to the general public;
- (b) Any software that evolved from software described in paragraph (a) of this definition through advances in technology or performance and that is not yet available in the commercial marketplace, but will be available in the commercial marketplace in time to satisfy the delivery requirements under the Contract;
- (c) Any software that would satisfy a criterion expressed in paragraphs (a) or (b) of this definition, but for modifications of a type customarily available in the commercial marketplace;
- (d) Any combination of software meeting the requirements of paragraphs (a), (b), or (c) of this definition that are of a type customarily combined and sold in combination to the general public; or
- (e) Software to be provided by the Vendor pursuant to the Contract, but which is not to be developed pursuant to the Contract, if the software is or was developed exclusively at private expense and sold in substantial quantities, on a competitive basis, to multiple State or local governments.

“Custom Software” means the Computer Programs, and any and all portions thereof, developed by Vendor and/or its subcontractors pursuant to Vendor’s Proposal. Vendor shall provide all Custom Software in source code and object code form to DOR, or its designee, together with the information identified in 7.7.



“Enhancement” means any modifications, enhancements, revisions (including, without limitation revisions to support new releases of any operating system), corrections, updates, upgrades, new versions, additions, extensions, interfaces, new platforms, and improvements of any type to the Software.

“Intellectual Property Rights” comprises:

- (a) any patent, patent application, trademark (whether registered or unregistered), trademark application, trade name, service mark (whether registered or unregistered), service mark application, copyright (whether registered or unregistered, or derivative work), copyright application, trade secret, know-how, process, technology, development tool, ideas, concepts, design right, moral right, data base right, methodology, algorithm or invention;
- (b) any right to use or exploit any of the foregoing; and
- (c) any other proprietary right or intangible asset (including software).

“Licensed Software” means the Computer Programs to be licensed by Vendor under the Contract, as identified in Vendor’s Proposal.

“Software” means collectively the Licensed Software, Custom Software, and Third Party Software.

“State Data” means the following, whether provided or produced before, on or after the Contract Effective Date:

- (a) all taxpayer data, information, and material, by whatever name known, collected, processed and stored pursuant to the State’s statutory and regulatory powers;
- (b) all information and data (copyrighted or otherwise) developed, derived, documented, or stored by the State under the Contract;
- (c) all data that is provided by or on behalf of the State to Vendor in order for Vendor to provide the Services or Deliverables pursuant to the Contract;
- (d) all records, files, reports and other data provided to Vendor by or on behalf of the State, or otherwise collected or obtained by Vendor, in connection with the Services or Deliverables; and

- (e) all data that is produced as an intermediate step in using or producing any of the State Data, including databases and files containing the State Data.

“Third Party Software” means any Computer Programs, other than those programs developed by Vendor, which are (i) owned by third parties, (ii) provided by Vendor under Vendor’s Proposal, and (iii) are designated in Vendor’s Proposal as “Third Party Software”.

7.6.2 License

Vendor grants to the State a worldwide, perpetual, irrevocable, non-terminable, non-exclusive, non-transferable and non-sublicensable license to use, in object code and in source code format (subject to the terms and conditions of Section 7.7), the Licensed Software, including any subsequent Enhancements thereto, subject to the restrictions set forth therein. Use of the Licensed Software shall be limited to the data processing and computing needs of the State. The State agrees not to distribute, sell, sublicense or otherwise transfer copies of the Licensed Software or any portion thereof.

The State shall have the right to copy the Licensed Software, in whole or in part, for use in conducting benchmark or acceptance tests, for business recovery and disaster recovery testing or operations, for archival or emergency purposes, for back up purposes, for use in preparing derivative works if allowed by the Contract, or to replace a worn copy.

Vendor shall provide all encryption or identification codes or authorizations that are necessary or proper for the operation of the Licensed Software.

7.6.3 Inventions

Vendor agrees that if any inventions, discoveries, or improvements are conceived, first reduced to practice, made or developed in anticipation of, or in the course of, work performed under this Contract in connection with the Custom Software, by Vendor or by one or more of their respective employees, consultants, representatives or agents (“Associates”), Vendor assigns and agrees to assign to the State, all of Vendor’s and their respective Associates’ entire right, title and interest in and to such inventions, discoveries or improvements, and any patents that may be granted thereon in any country of the world (“Inventions”). Vendor shall promptly share with the State all information relating to any Inventions. Vendor agrees that it will promptly have its Associates sign all papers and, without charge to the State, do all acts which may be necessary, desirable or convenient to enable the State at its expense to file and prosecute applications for patents on such Inventions, and to maintain patents granted thereon. Vendor also agrees to acquire from its Associates who perform work

hereunder, such assignments, rights and covenants as to assure that the State shall receive the rights provided for in this Section 7.6.3.

7.6.4 Information

Vendor agrees to disclose and promptly furnish to the State any and all technical information, computer or other specifications, documentation, works of authorship or other creative works, ideas, knowledge, or data, written, oral or otherwise expressed, originated by Vendor or any of its Associates as a result of work performed under or in anticipation of this Contract in connection with the Custom Software ("Information"). The State shall own all right, title and interest in and to the Information created by Vendor, including all copyrights and proprietary rights therein. Vendor expressly acknowledges that the parties have agreed that all aspects of the Information and all work in process in connection therewith are to be considered "works made for hire" within the meaning of the Copyright Act of 1976, as amended (the "Act"), and that the State is to be the "author" within the meaning of such Act. All such copyrightable Information, as well as all copies of such Information in whatever medium fixed or embodied, shall be owned exclusively by the State as its creation, and Vendor hereby expressly disclaims any interest in any of them.

In the event (and to the extent) that the Information created by Vendor under this Contract or any part or element thereof is found as a matter of law not to be a "work made for hire" within the meaning of the Act, Vendor hereby conveys and assigns to the State the sole and exclusive right, title and interest in the ownership to all such Information, and all copies of any of them, without further consideration, and agrees to assist the State to register, and from time to time to enforce, all copyrights and other rights and protections relating to the Information created hereunder in any and all countries. Vendor shall place a copyright notice in favor of the State on the Information at the State's request.

7.6.5 Pre-existing Materials

If the Information, or the use, sale or manufacture of the Inventions, includes or requires the use of inventions or materials previously made, developed or copyrighted by Vendor, and not originated or developed hereunder ("Pre-existing Materials"), then Vendor grants and agrees to grant to the State, an unrestricted, worldwide, perpetual, irrevocable, and non-terminable license to make, use, sell, have made, copy, modify, distribute, display and perform the inventions, information or other aspects of the Pre-existing Materials.

7.6.6 Third Party Software

Prior to incorporating elements from Third Party Software into the TIMS Solution, Vendor shall obtain at its sole expense a fully paid, perpetual, irrevocable license permitting the State to copy, use, perform, display, and digitally transmit, in object code

and source code format (subject to the terms and conditions of Section 7.7) such elements in connection with, and coextensively with, the TIMS Solution, unless the State has independently acquired such rights.

In addition to the license rights set forth in the immediately preceding paragraph, Vendor shall obtain at its sole expense the perpetual, irrevocable, and fully paid right for the State to modify and create derivative works with respect to such Third Party Software, other than COTS Software.

Upon committing to use of Third Party Software independent from Licensed Software and Custom Software on behalf of the State, Vendor shall obtain at its sole expense a fully paid, perpetual, irrevocable license permitting the State, and others with the State's authorization and on the State's behalf, to continue to use such Third Party Software, in object code and source code format (subject to the terms and conditions of Section 7.7) without interruption, including without limitation, the State's award of a contract to a third party for the takeover of the TIMS Solution either upon expiration or termination of the Contract, unless the State has independently acquired such rights.

7.6.7 Rights in Residual Materials

The State will own, and have exclusive Intellectual Property Rights with respect to, all non-proprietary or customized materials not otherwise described in this Section 7.6 that are developed for the State, or at the State's direction as a result of the Contract.

7.6.8 Initial, Annual, and Final Inventory

Upon DOR's request, or as established in Statements of Work ("SOWs"), work plans, deliverable(s) schedules or other similar Contract documents, the Vendor will provide detailed inventories of all State Material, Proprietary Vendor Material, and Third Party Material, to DOR, specifying the category of each item. With respect to each item that is subject to any extent to an Open Source software license, each inventory shall also specify the name and version of the applicable Open Source license together with a risk analysis that assesses the actual or potential impact of such Open Source Software on the rights of DOR under the Contract. The Vendor shall provide such an inventory at the beginning of the Contract and annually thereafter. In addition, the Vendor shall provide an inventory as soon as commercially practicable upon the date that the TIMS is first used by the Agency in an operational, production environment utilizing actual production data, the "Implementation Date", and shall provide a final inventory following expiration or termination of the Contract. The inventory for Third Party Material shall indicate with respect to which items it shall be necessary to transfer or procure a license for DOR upon a turnover of operations from the Vendor.

7.6.9 General Skills and Know How

Notwithstanding anything to the contrary herein, the Vendor and its subcontractors shall be free to use and employ their general skills, know-how, and expertise, and to use, disclose, and employ any generalized ideas, concepts, know-how, methods, techniques, or skills gained or learned during the course of performing the Contract, provided that the foregoing is acquired and applied without improper disclosure of State confidential information or information protected by applicable Laws or Regulatory Requirements.

7.7 Source Code Covenant

Every ninety (90) days during the term of the Contract, Vendor shall provide DOR, or its designee, a copy of all source code (including without limitation all make files, configurational files, data tables upon which execution is dependent, and the like) and documentation with respect to all Licensed Software (including the source code for all Enhancements), Custom Software, and Third Party Software, together with (a) continually updated instructions as to the compilation, installation, configuration, deployment, and use of the source code, and (b) a list of all non-provided third party software used in conjunction with the source code to provide the full functionality of the deposited materials. DOR covenants that it shall not use the Licensed Software (including Enhancements) source code or the Third Party Software source code unless (each of the following shall be a "Trigger Event"): (x) Vendor (i) files for bankruptcy, (ii) becomes or is declared insolvent, or is the subject of any proceedings related to its liquidation, insolvency or the appointment of a receiver or similar officer for it, (iii) makes an assignment for the benefit of all or substantially all of its creditors, or (iv) enters into an agreement for the cancellation, extension, or readjustment of substantially all of its obligations; (y) DOR determines in its sole discretion that (i) Vendor has missed a service level under the Contract or has otherwise failed to perform any of its obligations or responsibilities under the Contract, (ii) Vendor fails to respond to DOR's request for maintenance or Enhancements, or (iii) Vendor fails to perform the maintenance to any part of the TIMS Solution that is required under the Contract; or (z) the Contract expires or terminates. Upon the occurrence of a Trigger Event, DOR shall have the right to use the source code in accordance with the license grants set forth in Sections 7.6.2 and 7.6.6.

7.8 Maintenance/Support Services

Unless otherwise provided in this RFP, or in an attachment hereto, for the first year and all subsequent Contract years, Vendor agrees to provide the following services for the current version and one previous version of any Software, commencing upon installation of the Deliverables or delivery of the Software:



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- A. Error Correction. Upon notice by State of a problem with the Software (which problem can be verified), Vendor shall use reasonable efforts to correct or provide a working solution for the problem. DOR shall comply with all reasonable instructions or requests of Vendor in attempts to correct an error or defect in the Software. Vendor and DOR shall act promptly and in a reasonably timely manner in communicating error or problem logs, other related information, proposed solutions or workarounds, and any action as may be necessary or proper to obtain or affect maintenance services under this Subsection A.
 - B. Vendor shall notify DOR of any material errors or defects in the Deliverables known, or made known to Vendor from any source during the Contract term that could cause the production of inaccurate or otherwise materially incorrect results. Vendor shall initiate actions as may be commercially necessary or proper to effect corrections of any such errors or defects
 - C. Enhancements. Vendor shall provide to DOR all Enhancements at no additional charge.
 - D. Telephone Assistance. Vendor shall provide DOR with telephone access to technical support engineers for assistance in the proper installation and use of the Software, and to report and resolve Software problems, during normal business hours, 6:00 AM - 6:00 PM Eastern Time, Monday-Friday. Vendor shall respond to the telephone requests for Software maintenance service, within two hours, for calls made at any time.
 - E. Vendor shall identify a single point of contact for all maintenance and support issues.

If DOR fails to pay Support or Maintenance Services for the Software or chooses not to pay for Support or Maintenance Services, DOR may continue to use the Software pursuant to the licenses granted hereunder, but will not be entitled to receive routine Support Services for such Software. If DOR does not subscribe or purchase Support or Maintenance Services effective with the date of this Contract, Support or Maintenance Services may be subsequently subscribed or purchased at any time during the term of this Contract by payment of Support Service or Maintenance Fees at Vendor's then current prices.

7.9 Travel Expenses

All travel expenses should be included in the Vendor's proposed costs. Separately stated travel expenses will not be reimbursed.



Vendor may be reimbursed for travel expenses arising under the performance of any Change Order requests made pursuant to the Contract at the out-of-state rates set forth in GS §138-6; as amended from time to time. Vendor agrees to use the lowest available airfare not requiring a weekend stay and to use the lowest available rate for rental vehicles. All Vendor incurred travel expenses shall be billed on a monthly basis, shall be supported by receipt and shall be paid by DOR within thirty (30) days after invoice approval. Travel expenses exceeding the foregoing rates shall not be paid by DOR. DOR will reimburse travel allowances only for days on which the Vendor is required to be in North Carolina performing services under this Contract.

7.10 Prohibition Against Contingent Fees and Gratuities

Vendor warrants that it has not paid, and agrees not to pay, any bonus, commission, fee, or gratuity to any employee or official of the State for the purpose of obtaining any contract or award issued by the State. Vendor further warrants that no commission or other payment has been or will be received from or paid to any third party contingent on the award of any contract by the State, except as shall have been expressly communicated to the DOR Purchasing Agent in writing prior to acceptance of the Contract or award in question. Each individual signing below warrants that he or she is duly authorized by their respective Party to sign this Contract and bind the Party to the terms and conditions of this Contract. Vendor and their authorized signatory further warrant that no officer or employee of the State has any direct or indirect financial or personal beneficial interest, in the subject matter of this Contract; obligation or contract for future award of compensation as an inducement or consideration for making this Contract. Subsequent discovery by the State of non-compliance with these provisions shall constitute sufficient cause for immediate termination of all outstanding contracts. Violations of this provision may result in debarment of the Vendor(s) or Vendor(s) as permitted by 9 NCAC 06B.1009(f), 06B.1030, or other provision of Law.

7.11 Availability of Funds

Any and all payments to Vendor are expressly contingent upon and subject to the appropriation, allocation and availability of funds to DOR for the purposes set forth in this Contract. If this Contract or any Purchase Order issued hereunder is funded in whole or in part by federal funds, DOR's performance and payment shall be subject to and contingent upon the continuing availability of said federal funds for the purposes of the Contract or Purchase Order. If the term of this Contract extends into fiscal years, subsequent to that in which it is approved, such continuation of the Contract is expressly contingent upon the appropriation, allocation and availability of funds by the N.C. Legislature for the purposes set forth in the Contract. If funds to effect payment are not available, DOR will provide written notification to Vendor.

7.12 Payment Terms

Payment terms are Net 30 days after receipt of correct invoice or acceptance of the Deliverables, whichever is later. DOR is responsible for all payments under the Contract. No additional charges to DOR will be permitted based upon, or arising from, DOR's use of a Business Procurement Card. DOR may exercise any and all rights of Set Off as permitted in Chapter 105A-1 et. seq. of the N.C. General Statutes and applicable Administrative Rules. Upon Vendor's written request of not less than 30 days and approval by the State or DOR, DOR may:

- A. Forward the Vendor's payment check(s) directly to any person or entity designated by the Vendor, or
- B. Include any person or entity designated in writing by Vendor as a joint payee on the Vendor's payment check(s), however
- C. In no event shall such approval and action obligate DOR to anyone other than the Vendor and the Vendor shall remain responsible for fulfillment of all Contract obligations.

7.13 Invoices

Payment for all milestones will be as specified in this Section 7.13. Authorization for payment of each milestone will be made only after the review and approval of appropriate documentation by the DOR Project Manager. The documentation shall be in sufficient detail to provide assurance that the Vendor has completed the milestone as specified in the approved deliverable. The detail should include tasks completed along with a listing of goods (e.g., software, hardware, documentation, etc.) by date, quantity and amount. Separate charges such as freight, insurance, handling, taxes, installation, license fees, maintenance, etc. shall be separately stated. A copy of the written acceptance notification received from DOR must accompany all Vendor-issued invoices.

Each invoice shall include a complete summary in a suitable, non-technical narrative fashion of the work performed.

7.14 Retainage

DOR will retain 20% for all invoice payments until system completion and acceptance. DOR shall release any amounts held as retainages after acceptance of the final deliverable and after DOR has determined that all System defects discovered in any previously accepted deliverable have been resolved to DOR's satisfaction.

Payment retention (retainage) shall apply to all invoiced items excepting only such items as Vendor obtains from Third Parties and for which costs are chargeable to DOR

by agreement of the Parties. DOR, at its sole discretion, may release retainages withheld from any invoice upon acceptance of the Deliverables or Services identified or associated with such invoices; or upon completion and DOR's acceptance of Vendor's performance under an agreed Project Plan prior to system completion and acceptance.

7.15 Acceptance Criteria

Acceptance testing is required for all Deliverables and Services. DOR may define such processes and procedures as may be necessary or proper, in its opinion and discretion, to ensure compliance with the RFP specifications and Vendor's technical representations.

In the event acceptance of Deliverables and Services, including acceptance of Software, is not described in additional Contract documents, DOR shall have the obligation to notify Vendor, in writing ten calendar days following installation of any Deliverable or performance of any Services described in the Contract if it is not acceptable. The notice shall specify in reasonable detail the reason(s) a Deliverable or Service is unacceptable. Acceptance by DOR shall not be unreasonably withheld; but may be conditioned or delayed as required for installation and/or testing of Deliverables or Services. Final acceptance is expressly conditioned upon completion of all applicable inspection and testing procedures. Should the Deliverables or Services fail to meet any specifications or acceptance criteria DOR may exercise any and all rights hereunder, including such rights provided by the Uniform Commercial Code as adopted in North Carolina. Deliverables or Services discovered to be defective or failing to conform to the specifications may be rejected upon initial inspection or at any later time if the defects contained in the Deliverables or Services or non-compliance with the specifications was not reasonably ascertainable upon initial inspection. If the Vendor fails to promptly cure the defect or replace the Deliverables or Services, DOR reserves the right to terminate the Contract, contract with a different vendor, and to invoice the original Vendor for any differential in price over the original Contract price. When Deliverables are rejected, the Vendor must remove the rejected Deliverables from the premises of DOR within seven (7) calendar days of notification, unless otherwise agreed by DOR. Rejected items may be regarded as abandoned if not removed by Vendor as provided herein.

7.16 Equal Employment Opportunity

Vendor shall comply with all Federal and State requirements concerning fair employment and employment of the disabled, and concerning the treatment of all employees without regard to discrimination by reason of race, color, religion, sex, national origin or physical disability.



7.17 Inspection at Vendor's Site

DOR reserves the right to inspect, during Vendor's regular business hours at a reasonable time, upon notice of not less than two (2) weeks, and at its own expense, the prospective Deliverables comprising equipment or other tangible goods, or the plant or other physical facilities of a prospective Vendor prior to Contract award, and during the Contract term as necessary or proper to ensure conformance with the specifications/requirements and their adequacy and suitability for the proper and effective performance of the Contract.

7.18 Advertising/Press Release

The Vendor absolutely shall not publicly disseminate any information concerning the Contract without prior written approval from DOR or its Agent. For the purpose of this provision of the Contract, the Agent is the DOR Contract Administrator unless otherwise named in the RFP.

7.19 Confidentiality

In accordance with 9 NCAC 06B.0207 and 06B.1001 and to promote maximum competition in the State's competitive bidding process, DOR may maintain the confidentiality of certain types of information described in N.C. Gen. Stat. §132-1 et. Seq. Such information may include trade secrets defined by N.C. Gen. Stat. §66-152 and other information exempted from the Public Records Act pursuant to N.C. Gen. Stat. §132-1.2. Vendor may designate appropriate portions of its response as confidential, consistent with and to the extent permitted under the Statutes and Rules set forth above, by marking the top and bottom of pages containing confidential information with a legend in boldface type "**CONFIDENTIAL.**" By so marking any page, the Vendor warrants that it has formed a good faith opinion, having received such necessary or proper review by counsel and other knowledgeable advisors, that the portions marked confidential meet the requirements of the Rules and Statutes set forth above. ***Pursuant to 9 N.C.A.C. 06B.1001 cost information shall not be deemed as confidential.*** DOR may serve as custodian of Vendor's confidential information and not as an arbiter of claims against Vendor's assertion of confidentiality. If an action is brought pursuant to N.C. Gen. Stat. §132-9 to compel DOR to disclose information marked confidential, the Vendor agrees that it will intervene in the action through its counsel and participate in defending DOR, including any public official(s) or public employee(s). The Vendor agrees that it shall hold DOR and the State and any official(s) and individual(s) harmless from any and all damages, costs, and attorneys' fees awarded against DOR or the State in the action. DOR agrees to promptly notify the Vendor in writing of any action seeking to compel the disclosure of Vendor's confidential information. DOR and the State shall have the right, at its option and expense, to participate in the defense of the action through its counsel. Neither DOR or



the State shall have any liability to Vendor with respect to the disclosure of Vendor's confidential information ordered by a court of competent jurisdiction pursuant to N.C. Gen. Stat. §132-9 or other applicable Law.

Without limiting anything in this Contract, upon expiration or termination of the Contract, each Party promptly will either (i) return to the other Party all of its confidential information in the first Party's possession, or (ii) at the other Party's option, destroy all of such other Party's confidential information in the first Party's possession and certify to such destruction in writing; provided, however, DOR may retain copies of the Vendor confidential information to the extent required for DOR's continuing operations or internal business purposes.

7.20 Deliverables

"Deliverables", as used herein, shall comprise all project materials and services, including, but not limited to: goods, hardware, software (including, without limitation, the Software), software licenses, data, statement or scope of work plan(s), training for DOR staff, user acceptance testing, business process reengineering, maintenance and support of TIMS, work product, project management, data conversion planning and execution, as well as interfaces and/or integrations that enable the conversion of data from the existing ITAS and from all other systems referenced in this RFP to TIMS, and documentation (including training materials), provided or created during the performance or provision of services under this Contract. Except as otherwise provided in this RFP, Deliverables are the property of the State of North Carolina. Deliverables must be kept confidential to the extent required by applicable Law, returned to DOR or to ITS procurement, or destroyed as required by DOR.

7.21 Late Delivery, Back Order

Vendor shall advise the DOR contact person or office immediately upon determining that any Deliverable will not, or may not, be delivered at the time or place specified. Together with such notice, Vendor shall state the projected delivery time and date. In the event the delay projected by Vendor is unsatisfactory, DOR shall so advise Vendor and may proceed to procure substitute Deliverables or services.

7.22 Intellectual Property Indemnification-Third Party Claims

The Vendor shall defend, indemnify, and hold DOR, the State, and their directors, officers, employees, subcontractors and agents ("State Indemnitees") harmless from and against any and all Losses (as defined in Section 7.32.1 resulting from, arising out of, or related to any Third Party Claim (as defined in Section 7.32.1) that the Licensed Software, the Custom Software, the Third Party Software, the Services, the Deliverables, or any other item, system, deliverable, software, or service provided or



used under the Contract by Vendor (or any Vendor agent, contractor, subcontractor, or representative), or any use thereof, infringes, violates, or misappropriates the Intellectual Property Rights of a third party.

- a) The procedures set forth in Section 7.32.2 shall apply with respect to indemnification for all Third Party Claims arising in connection with the Contract.
- b) Should any such material or intangible or the operation thereof become, or in the Vendor's opinion are likely to become, the subject of any such suit or proceeding, DOR shall permit the Vendor, in addition to its indemnity obligations, at its option and expense, either to procure for DOR the right to continue using such material or intangible or to replace or modify the same to become non-infringing or non-violative and to continue to meet the Services or Deliverables specifications and the Contract in all material respects. If neither of these options can reasonably be taken, or if the use of such material or intangible by DOR shall be prevented by injunction, the Vendor shall take back such material or intangible and refund all sums DOR has paid the Vendor since the Effective Date, and make every reasonable effort to assist DOR in procuring substitute material or intangible. If, in the sole opinion of DOR, the return of such infringing material or intangible makes the retention of other material or intangibles acquired from the Vendor under the Contract impractical, DOR shall then have the option of terminating the Contract, or applicable portions thereof, without penalty or termination charge. The Vendor shall take back such material or intangible and refund all sums DOR has paid the Vendor.

Vendor will not be required to indemnify State Indemnitees to the extent that a claim of infringement or misappropriation is caused by:

- a) such State Indemnitee's unauthorized modification of such material or intangible;
- b) such State Indemnitee's failure to use corrections or enhancements made available by Vendor within a reasonable period of time after such corrections or enhancements were first made available, provided (1) Vendor has informed DOR that use of such corrections or enhancements is necessary to avert alleged or actual infringement, (2) implementation of such enhancements or corrections would not result in an adverse impact on DOR; or
- c) a State Indemnitee's use of such item in combination with any product or equipment not owned, developed or authorized by Vendor or Vendor's subcontractor(s); provided that Vendor has notified DOR of an actual or threatened claim of infringement or misappropriation arising from the

combination use, or when Vendor knew or should reasonably have known that such combination would be used by DOR and did not object.

7.23 Access to Persons and Records

Pursuant to N.C. General Statute 147-64.7, DOR, the State Auditor, appropriate federal officials, and their respective authorized employees or agents are authorized to examine all books, records, and accounts of the Vendor insofar as they relate to transactions with any department, board, officer, commission, institution, or other State Agency of the State of North Carolina pursuant to the performance of this Contract or to costs charged to this Contract. The Vendor shall retain any such books, records, and accounts for a minimum of three (3) years after the completion of this Contract. Additional audit or reporting requirements may be required by any State Agency, if in DOR's opinion, such requirement is imposed by federal or state law or regulation.

7.24 Assignment

The Vendor may not assign, voluntarily or by operation of law, the Contract or any of its rights or obligations hereunder without first obtaining written consent from DOR following negotiations in accordance with 9 NCAC 06B.1003. DOR shall not unreasonably delay or refuse to enter into such negotiations. Any purported assignment not so approved shall be null and void. The Vendor shall affirm that the assignee is fully capable of performing all obligations of the Contract. Subject to the foregoing, the Contract shall be binding on DOR and Vendor and their respective successors and assigns. This Section 7.24 shall not affect DOR's right to terminate for Vendor's Change in Control as set forth in Section 7.30.1. Any assignment of the Contract shall be made explicitly subject to all rights, defenses, setoffs, or counterclaims that would have been available to DOR against the Vendor in the absence of such assignment. An assignment may only be made, if at all, in writing by the Vendor, assignee, and DOR setting forth the foregoing obligations of the Vendor and the assignee.

Notwithstanding the foregoing, DOR may, in its sole discretion, modify or terminate the Contract if, in its reasonable judgment, the assignment impairs the performance of the obligations under the Contract.

All rights, duties and obligations under the Contract inure to the State as a whole upon DOR's entry into the Contract on the State's behalf. The State's rights, duties and obligations under the Contract shall continue without interruption notwithstanding any reorganization of State government in accordance with N.C.G.S. §143A-6.

7.25 Insurance Coverage

During the term of the Contract, the Vendor at its sole cost and expense shall provide commercial insurance of such type and with such terms and limits as may be reasonably associated with the Contract. Providing and maintaining adequate insurance coverage described herein is a material obligation of the Vendor and is of the essence of this Contract. All such insurance shall meet all laws of the State of North Carolina. Such insurance coverage shall be obtained from companies that are authorized to provide such coverage and that are authorized by the Commissioner of Insurance to do business in North Carolina. The Vendor shall at all times comply with the terms of such insurance policies, and all requirements of the insurer under any such insurance policies, except as they may conflict with existing North Carolina laws or this Contract. The limits of coverage under each insurance policy maintained by the Vendor shall not be interpreted as limiting the Vendor's liability and obligations under the Contract. At a minimum, the Vendor shall provide and maintain the following coverage and limits:

- a) **Worker's Compensation** – The Vendor shall provide and maintain Worker's Compensation Insurance, as required by the laws of North Carolina, as well as employer's liability coverage with minimum limits of \$100,000.00, covering all of Vendor's employees who are engaged in any work under the Contract. If any work is sublet, the Vendor shall require the subcontractor to provide the same coverage for any of his employees engaged in any work under the Contract ; and
- b) **Commercial General Liability** – General Liability Coverage on a Comprehensive Broad Form on an occurrence basis in the minimum amount of \$2,000,000.00 Combined Single Limit (Defense cost shall be in excess of the limit of liability); and
- c) **Automobile** – Automobile Liability Insurance, to include liability coverage, covering all owned, hired and non-owned vehicles, used in connection with the Contract. The minimum combined single limit shall be \$500,000.00 bodily injury and property damage; \$500,000.00 uninsured/under insured motorist; and \$5,000.00 medical payment; and

7.26 Dispute Resolution

The parties agree that it is in their mutual interest to resolve disputes informally. A claim by the Vendor shall be submitted in writing to the DOR Contract Administrator for decision. A claim by DOR shall be submitted in writing to the Vendor's Contract Administrator for decision. The Parties shall negotiate in good faith and use all reasonable efforts to resolve such dispute(s). If a dispute cannot be resolved between the Parties within thirty (30) days after delivery of notice, either Party may elect to exercise any other remedies available under this Contract, or at law. Except as

otherwise specified in the Contract, the dispute process described in this Section 7.26 shall be a condition precedent to any action in a judicial or quasi-judicial tribunal. Pending final determination of any dispute hereunder (by the parties, a court, or otherwise), the Vendor shall proceed diligently to perform its duties and responsibilities under this Contract.

This Section 7.26 shall not constitute an agreement by either party to mediate or arbitrate any dispute.

7.27 Default

In the event any Deliverable furnished by the Vendor during performance of any Contract term fails to conform to any material requirement of the Contract specifications, notice of the failure is provided by DOR and the failure is not cured within ten (10) days, or Vendor fails to meet the requirements of Section 7.16 herein, DOR may cancel and procure the articles or services from other sources; holding Vendor liable for any excess costs occasioned thereby, subject only to the limitations provided in Section 7.31 and the obligation to informally resolve disputes as provided in Section 7.26 of these Terms and Conditions. Default may be cause for debarment as provided in 09 NCAC 06B.1030. DOR reserves the right to require performance guaranties pursuant to 09 NCAC 06B.1031 from the Vendor without expense to DOR or the State.

- A. If Vendor fails to deliver Deliverables within the time required by this Contract, DOR may provide written notice of said failure to Vendor, and by such notice require payment of a penalty.
- B. Should DOR fail to perform any of its obligations upon which Vendor's performance is conditioned, Vendor shall not be in default for any delay, cost increase or other consequences due to DOR's failure. Vendor will use reasonable efforts to mitigate delays, costs or expenses arising from assumptions in the Vendor's bid documents that prove erroneous or are otherwise invalid. Any deadline that is affected by any such failure in assumptions or performance by DOR shall be extended by an amount of time reasonably necessary to compensate for the effect of such failure.
- C. Vendor shall provide a plan to cure any default if requested by DOR. The plan shall state the nature of the default, the time required for cure, any mitigating factors causing or tending to cause the default, and such other information as the Vendor may deem necessary or proper to provide.

7.28 Default and Software

If the prescribed acceptance testing for a Deliverable is not completed successfully, DOR may request a substitute Deliverable, cancel the portion of the Contract that relates to the unaccepted Deliverable, or continue the acceptance testing with or without the assistance of Vendor. These options shall remain in effect until such time as the testing is successful or the expiration of any time specified for completion of the testing. If the testing is not completed after exercise of any of DOR's options, DOR may cancel any portion of the contract related to the failed Deliverable and take action to procure substitute deliverables. If the failed Deliverable (or the substituted deliverable) is an integral and critical part of the proper completion of the work for which the Deliverables identified in the Contract were acquired, DOR may terminate the entire Contract pursuant to the Section 7.30.1(A).

7.29 Waiver of Default

No covenant, condition, duty, obligation, or undertaking contained in or made a part of the Contract shall be waived except by the written agreement of the Parties. Forbearance or indulgence in any form or manner by either Party, in any regard whatsoever, shall not constitute a waiver of the covenant, condition, duty, obligation, or undertaking to be kept, performed, or discharged by the Party to which the same may apply. No single waiver will constitute a continuing or subsequent waiver.

7.30 Termination

Any notice or termination made under this Contract shall be transmitted via US Mail, Certified Return Receipt Requested. The period of notice for termination shall begin on the day the return receipt is signed and dated.

7.30.1 State Termination

DOR may terminate this Contract, in whole or in part, pursuant to Section 7.27, or pursuant to the Special Terms and Conditions in the RFP, if any, or for any of the following:

- A. Termination for Cause: In the event any Deliverables (including, without limitation hardware and software) or Services furnished by the Vendor during performance of any Contract Specification fails to conform to any material requirement of the Contract, and the failure is not cured within the specified time after providing written notice thereof to Vendor, DOR may cancel and procure the articles or services from other sources; holding Vendor liable for any excess costs occasioned thereby, subject only to the limitations provided in Section 7.31. The rights and remedies of DOR provided above shall not be exclusive and are in addition to any other rights and remedies provided by law or under the

Contract. Vendor shall not be relieved of liability to DOR for damages sustained by DOR arising from Vendor's breach of this Contract; and DOR may, in its discretion, withhold any payment due as a setoff until such time as the damages are finally determined or as agreed by the parties. Voluntary or involuntary Bankruptcy or receivership by Vendor shall be cause for termination.

- B. Termination For Convenience Without Cause: DOR may terminate service and indefinite quantity contracts, in whole or in part, for its convenience by giving 30 days prior notice in writing to the Vendor describing the extent of the termination. Vendor shall be entitled to sums due as compensation for Deliverables provided and services performed in conformance with the Contract. In the event the Contract is terminated for the convenience of DOR, DOR will pay for all work performed and products delivered in conformance with the Contract up to the date of termination.
- C. Termination for Change in Control. In the event of a Change in Control (as defined herein below) of Vendor, (a) Vendor will promptly provide notice to DOR of such event, and (b) DOR has the right, but not the obligation, within thirty (30) days of receipt of such notice, to terminate the Contract by giving Vendor notice of termination at least thirty (30) days prior to the termination date specified in the notice. "Change in Control" means the transfer of the control of Vendor from the person(s), entity or entities who hold such control on the Effective Date of the Contract to one or more other persons or entities. "Control" means direct ownership of more than fifty percent (50%) of the stock or shares entitled to vote for the election of the board of directors or other governing body of Vendor, or of the equity interest of Vendor.
- D. Termination for Unavailability of Funds. In the event funding from State, Federal, or other sources is withdrawn, reduced, or limited in any manner after the Effective Date and prior to the anticipated Contract expiration date, DOR may terminate the Contract by giving at least thirty (30) days written notice. If the Contract is terminated under this Subsection D, Vendor agrees to take back any affected Deliverables not yet delivered under the Contract, terminate any Services supplied to DOR under the Contract, and relieve DOR of any further obligation therefor. DOR shall remit payment for Deliverables and Services accepted prior to the date of the aforesaid notice in conformance with the payment terms in Section 7.12 and Section 7.13.
- E. Termination for Financial Instability. DOR may terminate the Contract by providing written notice to such effect (a) in the event that DOR determines in its sole but reasonable discretion that the Vendor has become financially unstable to the point of threatening the ability of the Vendor to perform the Services as required hereunder, (b) upon the Vendor's institution of insolvency, receivership

or bankruptcy proceedings or any other proceedings for the settlement of its debts, (c) upon the institution of such proceedings against the Vendor, which are not dismissed or otherwise resolved in the Vendor's favor within sixty (60) days thereafter, (d) upon the Vendor's making a general assignment for the benefit of creditors, or (e) upon the Vendor's dissolution or ceasing to conduct business in the normal course. Such termination shall be effective at the close of business on the date specified in the written notice. In the event that DOR elects to terminate the Contract pursuant to this Section, the Vendor shall be notified in writing by the means set forth in the Contract for providing notice, specifying the date of termination. In the event of the filing of a petition in bankruptcy by or against the Vendor or any subcontractor, the Vendor shall immediately advise DOR of said action.

7.30.2 Procedures on Termination or Expiration

Upon receipt of written notice of termination, or upon the expiration of the Contract, the Vendor shall, on the date specified in the notice of termination or on the date of expiration:

- A. Stop work under the Contract on the date and to the extent specified in the notice;
- B. Assign to DOR in the manner and to the extent (if any) directed by DOR all of the right, title, and interest of the Vendor under the orders or subcontracts so terminated, in which case DOR shall have the right to settle or pay any or all claims arising out of the termination of such orders and subcontracts;
- C. With the approval of DOR, settle all outstanding liabilities and all claims arising out of termination of orders and subcontracts that are not assigned to DOR;
- D. Deliver all files, processing systems, data manuals, and other documentation that relate to the work terminated by the notice, as directed by DOR;
- E. Not unreasonably refuse to undertake such wind up and transition activities with respect to the terminated portions of the Contract as DOR may request or authorize;
- F. Complete the performance of such part of the work as shall not have been terminated by the notice; and
- G. Take action as may be necessary for the protection and preservation of the property related to the Contract that shall be in the possession or control of the Vendor, and in which DOR has or may acquire an interest.

7.30.3 Termination Claims

If the Contract is terminated during any ongoing task of the Vendor, the Vendor shall be paid an amount equal to the sum of the Vendor's reasonable labor, materials, and overhead costs demonstrably incurred for work performed in connection with that task prior to receipt of the notice of Termination, but in any event an amount no greater than the amount that DOR would have been obligated to pay if the task had been completed and its associated milestones and deliverables had been accepted. If an interrupted task is one of several tasks to which a milestone or deliverable payment would have applied, the limit to the compensation to be paid for the interrupted task shall be proportionate to the amount of work completed by the Vendor toward the milestone or Deliverable in relation to the total work required to achieve the milestone or provide the Deliverable. For any work performed in relation to a terminated portion of the Contract after the Vendor's receipt of notice of termination with respect to that portion (including receipt of notice of termination of the Contract as a whole), the Vendor shall be entitled to payment only with respect to such wind up and transition activities as are requested or authorized by DOR.

In the event of a failure to agree, in whole or in part, to the amount to be paid to the Vendor in connection with the total or partial termination of work pursuant to this Section, DOR shall determine on the basis of information available the amount, if any, due to the Vendor by reason of termination and shall pay the Vendor the amount so determined. Unresolved disputes shall be subject to the provisions of Section 7.26 of the Contract. In no case shall the Vendor's termination claims include any claim for unrealized or anticipatory profits.

7.31 Limitation of Vendor's Liability

7.31.1 Liability Cap

In no event shall either Party's liability to the other for any claim (in the aggregate with all other claims subject to this Section 7.31.1 arising out of or related to this Contract, regardless of the form of action that imposes liability, whether in contract, equity, negligence, intended conduct, tort or otherwise, exceed, in the aggregate for all Losses (as defined below in Section 7.32.1), two (2) times the greater of: (i) the total amounts paid under this Contract to the Vendor by DOR; or (ii) the TIMS Total Cost. The "TIMS Total Cost" shall mean the amount equal to: (a) the amount listed under "Total Cost" of the "Implementation Costs" table on the TIMS Cost Proposal Form; plus (b) an amount calculated by aggregating the amounts set forth under "TOTAL" on the Ongoing Operating and Maintenance Costs" table on the TIMS Cost Proposal Form for all years (including all years beyond Year 5 if the term is extended).

7.31.2 Exclusions to Liability Cap

The limitations set forth in 7.36.1 shall not apply with respect to: (a) any breach by Vendor of the terms of Section 6.8 (Confidentiality and Data Security); (b) any breach by Vendor of the terms of Section 7.19 (Confidentiality); (c) claims relating to Vendor's fraud, willful or intentional misconduct or gross negligence; (d) claims for indemnification under Section 7.32 (General Indemnity); (e) claims for indemnification under Section 7.22 (Intellectual Property Indemnification); (f) Vendor's failure to perform its duties in Section 6.11 or in breach of Section 7.30.2(E); (g) Vendor's wrongful termination of this Agreement; and (h) Vendor's breach of its obligations under Section 7.43 (Compliance with State and Federal Laws and Regulations).

7.31.3 Non-Direct Damages

Except for damages, costs and expenses arising out of or related to:

- (a) (i) any breach by Vendor of the terms of Section 6.8 (Confidentiality and Data Security); (ii) any breach by Vendor of the terms of Section 7.19 (Confidentiality); (iii) claims relating to Vendor's fraud, willful or intentional misconduct or gross negligence; (iv) claims for indemnification under Section 7.32 (General Indemnity); (v) claims for indemnification under Section 7.22 (Intellectual Property Indemnification); (vi) Vendor's failure to perform its duties in Section 6.11 or in breach of Section 7.30.2(E); (vii) Vendor's wrongful termination of this Agreement; and (viii) Vendor's breach of its obligations under Section 7.43 (Compliance with State and Federal Laws and Regulations); and
- (b) procurement of a TIMS solution from an alternate source due to Vendor's performance or failure to perform other than in accordance with the terms hereof,

IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT OR OTHERWISE, AND EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

7.32 General Indemnity

7.32.1 Indemnification

The Vendor shall hold and save the State Indemnitees from liability of any kind, of the following in relation to the Contract:

- a) the death of or bodily injury to any third party or to any employee, agent, or subcontractor of the State;

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- b) the loss of or damage to the real or tangible personal property (whether owned or leased) of any third party or any State Indemnitee;
 - c) Vendor's failure to pay and discharge any Taxes (as defined below) (including interest and penalties) for which Vendor is responsible pursuant to the provisions of the Contract, including any Taxes resulting from DOR's failure to pay, deduct or withhold Taxes with respect to any personnel, agents, subcontractors or suppliers of the Vendor;
 - d) any breach by Vendor of its representations, warranties or covenants set forth in the Contract;
 - e) any breach by Vendor of its confidentiality and data protection obligations under the Contract, and including as a result of any failure by Vendor to return State Data;
 - f) Vendor's failure to meet any Performance Standard in the Contract.

"Losses" means losses, claims, obligations, demands, actions, causes of action, assessments, fines and penalties (whether civil or criminal), liabilities, expenses, judgments, awards, and costs (including reasonable fees and disbursements of legal counsel, accountants and other advisors or consultants) of every kind and nature.

"Taxes" shall mean, collectively, taxes, duties, levies, tariffs and other similar charges (and any related interest and penalties), however designated and in all jurisdictions, imposed as a result of the existence or operation of this Contract, all transactions contemplated herein and the delivery and use of the Services and Deliverables, including any applicable sales, use, excise, value added, consumption, gross receipts, services, withholding, personal property, real property or other taxes attributable to periods on or after the Effective Date of the Contract.

"Third Party Claims" means any proceeding asserted by a person or entity (including a governmental entity) other than a party or such party's affiliates, whether by legal process, inquiry, or otherwise.

7.32.2 Procedures

The following procedures shall apply with respect to indemnification for Third Party Claims arising in connection with the Contract:

- a) Promptly after receipt by DOR of notice of the assertion or the commencement of any Third Party Claim with respect to any matter within the scope of Section 7.32.1 or 7.22, as applicable, DOR shall give Notice thereof to Vendor and shall thereafter keep Vendor reasonably informed with respect thereto; provided, however, that the failure of DOR to give Vendor such prompt Notice will not relieve Vendor of its obligations hereunder except to the extent such failure results in prejudice to

Vendor's defense of such Third Party Claim. Within fifteen (15) days following receipt of Notice from DOR relating to any Third Party Claim, but no later than ten (10) days before the date on which any response to a writ, statement of claim, complaint or summons is due, Vendor shall notify DOR in writing that Vendor shall assume control of the defense and settlement of such Third Party Claim (the "Assumption Notice").

- b) If Vendor delivers the Assumption Notice relating to any Third Party Claim within the required notice period, and for so long as Vendor diligently conducts the defense of such Third Party Claim, Vendor will be entitled to have sole control over the defense and settlement of such Third Party Claim; provided, however, that DOR will be entitled to participate in the defense of such Third Party Claim and to employ counsel at its own expense to assist in the handling of such Third Party Claim.
- c) If Vendor fails or chooses not to assume the defense of any such Third Party Claim within the prescribed period of time, then DOR may assume the defense of any such Third Party Claim at the cost and expense of Vendor.
- d) Vendor may compromise, settle or resolve a Third Party Claim without DOR's Consent if the compromise, settlement or resolution involves only the payment of money by Vendor (whether on its own behalf or on behalf of the State) and the Third Party claimant provides DOR a release from all liability regarding the Third Party Claim. Otherwise, Vendor may not compromise, settle or resolve the Third Party Claim without DOR's Consent.

7.33 Changes

This Contract and subsequent purchase order(s) is awarded subject to shipment of quantities, qualities, and prices indicated by the order or Contract, and all conditions and instructions of the Contract or proposal on which it is based. Any changes made to this Contract or purchase order proposed by the Vendor are hereby rejected unless accepted in writing by DOR or State Award Authority. DOR shall not be responsible for Deliverables or services delivered without a purchase order from DOR or State Award Authority.

7.34 Time is of the Essence

Time is of the essence in the performance of this Contract.



7.35 Independent Contractors

Vendor and its employees, officers and executives, and subcontractors, if any, shall be independent Vendors and not employees or agents of the State. This Contract shall not operate as a joint venture, partnership, trust, agency or any other business relationship.

7.36 Transportation

Transportation of Deliverables shall be FOB Destination; unless otherwise specified in the RFP. Freight, handling, hazardous material charges, and distribution and installation charges shall be included in the total price of each item. Any additional charges shall not be honored for payment unless authorized in writing by DOR. In cases where parties, other than the Vendor ship materials against this order, the shipper must be instructed to show the purchase order number on all packages and shipping manifests to ensure proper identification and payment of invoices. A complete packing list must accompany each shipment.

7.37 Notices

Any notice required or permitted to be given to a Party shall be in writing and addressed as follows:

In case of notice to DOR, notices shall be addressed to:

Contract Administrator
TIMS Project
501 N. Wilmington Street
Raleigh, NC 27604

In case of notice to Vendor, the notice will be sent to the Vendor Contract Administrator. The Vendor must notify the DOR Contract Administrator in writing within 10 business days after the contract award of the appropriate contact information for the Vendor Contract Administrator.

Either Party may change its address(es) for the receipt of notices and shall provide the other Party with written notice of the change, transmitted as provided above. All such notices shall be clearly labeled as address change notices.

Notice that is required to be given under this Section shall be transmitted via certified or registered mail, return receipt requested; overnight delivery with proof of delivery; or courier with proof of delivery. Notice delivery shall be prepaid and shall be deemed to have been given at the time indicated on the carrier's or courier service's delivery receipt.

7.38 Titles and Headings

Titles and Headings in this Contract are used for convenience only and do not define, limit or proscribe the language of terms identified by such Titles and Headings.

7.39 Amendment

This Contract may not be amended orally or by performance. Any amendment must be made in written form and signed by duly authorized representatives of DOR and Vendor in conformance with Section 7.33 herein.

7.40 Taxes

The State of North Carolina is exempt from Federal excise taxes and no payment will be made for any personal property taxes levied on the Vendor or for any taxes levied on employee wages. Agencies of the State may have additional exemptions or exclusions for federal or state taxes. Evidence of such additional exemptions or exclusions may be provided to Vendor by Agencies, as applicable, during the term of this Contract. Applicable State or local sales taxes shall be invoiced as a separate item.

7.41 Governing Laws, Jurisdiction, and Venue

This Contract is made under and shall be governed and construed in accordance with the laws of the State of North Carolina. The place of this Contract or purchase order, its situs and forum, shall be Wake County, North Carolina, where all matters, whether sounding in contract or in tort, relating to its validity, construction, interpretation and enforcement shall be determined. Vendor agrees and submits, solely for matters relating to this Contract, to the jurisdiction of the courts of the State of North Carolina, and stipulates that Wake County shall be the proper venue for all matters.

Except to the extent the provisions of the Contract are clearly inconsistent therewith, the applicable provisions of the Uniform Commercial Code as modified and adopted in North Carolina shall govern this Contract. To the extent the Contract entails both the supply of "goods" and "services," such shall be deemed "goods" within the meaning of the Uniform Commercial Code, except when deeming such services as "goods" would result in a clearly unreasonable interpretation.

7.42 Force Majeure

Subject to paragraph (a) below, neither Party shall be liable for any failure or delay in the performance of its obligations under the Contract (other than obligations to make payments that have become due and payable pursuant to the Contract) to the extent such failure or delay both:

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- (i) is caused by any of the following: acts of war, terrorism, civil riots or rebellions; quarantines, embargoes and other similar unusual governmental action; extraordinary elements of nature or acts of God (other than localized fire, hurricane, tornado or flood); and
 - (ii) could not have been prevented by the non-performing Party's reasonable precautions or commercially accepted processes, or could not reasonably be circumvented by the non-performing Party through the use of substitute services, alternate sources, work-around plans, the implementation of appropriate security measures or the disaster recovery procedures required of Vendor.
- (a) Events meeting both of the criteria set forth in clauses (i) and (ii) above are referred to individually and collectively as "Force Majeure Events"; provided, however, that the Parties expressly acknowledge and agree that Force Majeure Events do not include (i) vandalism, (ii) the regulatory acts of Governmental Authorities, (iii) Vendor's inability to obtain hardware or software, on its own behalf or on behalf of Customer, or its inability to obtain or retain sufficient qualified personnel, or (iv) any failure to perform caused solely as a result of a Party's lack of funds or financial ability or capacity to carry on business;
 - (b) If either Party is prevented from, or delayed in performing any of its obligations under the Contract by a Force Majeure Event, it will promptly, or as soon as reasonably practicable, notify the other Party verbally (to be confirmed in writing within twenty four (24) hours of the inception of the delay) of the occurrence of a Force Majeure Event and describe, in reasonable detail, the circumstances constituting the Force Majeure Event and of delays or anticipated delays in the performance of such Party's obligations. Such Party will continue to use commercially reasonable efforts to recommence performance whenever and to whatever extent possible without delay.

7.43 Compliance with Laws

Vendor will obtain and maintain all governmental approvals (as defined below) applicable to Vendor in the conduct of its business and will identify, interpret and comply in all material respects with all laws, (including those under common law) statutes, codes, rules, regulations, reporting or licensing requirements, ordinances, and other pronouncement having the effect of law of the United States or any state, county, city, or other political subdivision, including those promulgated, interpreted or enforced by any government or regulatory authority, presently or hereinafter in effect ("Laws") applicable to Vendor for the provision, receipt and use of the Services and Deliverables, the construction, development, and delivery of the Deliverables, and the consummation



of the transactions contemplated by the Contract (the "Regulatory Requirements"). The Regulatory Requirements include all Laws concerning fair employment and employment of the disabled and concerning the treatment of all employees without regard to discrimination by reason of race, color, religion, sex, national origin, or physical disability. Regulatory Requirements also include any guidance, bulletins, white papers, pronouncements, reports or similar communications issued by any Governmental Authority or applicable self-regulatory or industry body, whether or not such items or materials have the force of Law, to the extent determined by DOR in its discretion. "Governmental Authority" means any nation or government, any federal, state, province, territory, city, town, municipality, county, local or other political subdivision thereof or thereto, any quasi-governmental authority, and any court, tribunal, arbitral body, department, commission, board, bureau, agency, instrumentality thereof or thereto or otherwise which exercises executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

In addition, as part of the Services being provided by Vendor, Vendor will, and will cause its employees, agents and subcontractors to provide, notwithstanding anything to the contrary set forth in the Contract and subject to Section 7.33, all assistance reasonably related to the Services provided by Vendor necessary to enable DOR to comply with the Regulatory Requirements.

In providing Services to DOR, and without limiting or modifying in any respect the Vendor's obligations, Vendor shall comply, and shall cause each of its employees and subcontractors to comply at all times, with State policies that are of general application to State contractors or that Vendor has otherwise agreed to comply with, including, without limitation, the Statewide Information Technology Security Manual and the NC DOR Security Policy.

Where any change in Law or Regulatory Requirements impacts the Deliverables or Services under the Contract and the Vendor is capable of complying with the required restrictions or changes by a date specified by DOR, then DOR shall pay additional, previously agreed amounts to compensate Vendor for any additional reasonable expenses that Vendor may incur in making and sustaining the required changes to the Services or Deliverables subject to the following: (i) compensation shall be mutually agreed upon by DOR and the Vendor in advance of the Vendor incurring any additional, reasonable expenses in making and sustaining the required changes to the Services or Deliverables; and (ii) if such change in Law or Regulatory Requirements affects other Vendor customers then receiving Services or Deliverables substantially similar to those received by DOR, then Vendor shall use reasonable efforts to allocate the cost of changes or modifications to such Services and Deliverables and performance of such Services and Deliverables across its affected customers and DOR shall compensate the Vendor for only its pro rata share associated with such changes or modifications. Upon DOR's request the Vendor shall provide documentation to substantiate the Vendor's



allocation of such cost(s). As an alternative to agreeing to pay additional amounts as set forth above, DOR shall have the right to cancel those portions of the Contract to which the additional expenses pertain.

The Vendor shall not refuse to enter into any amendment or Change Order proposed by DOR to meet unanticipated changes to Law Regulatory Requirements impacting the TIMS Solution.

DOR may disqualify those Vendors who are not compliant with the tax Laws of the State of North Carolina from consideration for a Contract award. DOR may terminate the contract of a Vendor who is awarded the Contract and who is not compliant with the tax Laws of the State of North Carolina. The termination of a contract under this circumstance shall be pursuant to Section 7.30.1(A).

7.44 Severability

In the event that a court of competent jurisdiction holds that a provision or requirement of this Contract violates any applicable law, each such provision or requirement shall be enforced only to the extent it is not in violation of law or is not otherwise unenforceable and all other provisions and requirements of this Contract shall remain in full force and effect. All promises, requirement, terms, conditions, provisions, representations, guarantees and warranties contained herein shall survive the expiration or termination date unless specifically provided otherwise herein, or unless superseded by applicable federal or State statute, including statutes of repose or limitation.

7.45 Federal Intellectual Property Bankruptcy Protection Act

The Parties agree that DOR shall be entitled to all rights and benefits of the Federal Intellectual Property Bankruptcy Protection Act, Public Law 100-506, codified at 11 U.S.C. 365(n), and any amendments thereto.

7.46 Electronic Procurement

Purchasing shall be conducted through the Statewide E-Procurement Service. The State's third party agent shall serve as the Supplier Manager for this E-Procurement Service. The Vendor shall register for the Statewide E-Procurement Service within two (2) business days of notification of award in order to receive an electronic purchase order resulting from award of this contract.

- A. The successful Vendor(s) shall pay a transaction fee of 1.75% (.0175) on the total dollar amount (excluding sales taxes) of each purchase order issued through the Statewide E-Procurement Service. This applies to all purchase orders, regardless of the quantity or dollar amount of the purchase order. The

transaction fee shall neither be charged to nor paid by DOR, or by any State approved users of the contract. The transaction fee shall not be stated or included as a separate item in the proposed contract or invoice. There are no additional fees or charges to the Vendor for the services rendered by the Supplier Manager under this contract. Vendor will receive a credit for transaction fees they paid for the purchase of any item(s) if an item(s) is returned through no fault of the Vendor. Transaction fees are non-refundable when an item is rejected and returned, or declined, due to the Vendor's failure to perform or comply with specifications or requirements of the contract.

- B. Vendor, or its authorized Reseller, as applicable, will be invoiced monthly for the State's transaction fee by the Supplier Manager. The transaction fee shall be based on purchase orders issued for the prior month. Unless Supplier Manager receives written notice from the Vendor identifying with specificity any errors in an invoice within thirty (30) days of the receipt of invoice, such invoice shall be deemed to be correct and Vendor shall have waived its right to later dispute the accuracy and completeness of the invoice. Payment of the transaction fee by the Vendor is due to the account designated by the State within thirty (30) days after receipt of the correct invoice for the transaction fee, which includes payment of all portions of an invoice not in dispute. Within thirty (30) days of the receipt of invoice, Vendor may request in writing an extension of the invoice payment due date for that portion of the transaction fee invoice for which payment of the related goods by the governmental purchasing entity has not been received by the Vendor. If payment of the transaction fee invoice is not received by the State within this payment period, it shall be considered a material breach of contract. The Supplier Manager shall provide, whenever reasonably requested by the Vendor in writing (including electronic documents), supporting documentation from the E-Procurement Service that accounts for the amount of the invoice.
- C. The Supplier Manager will capture the order from the State approved user, including the shipping and payment information, and submit the order in accordance with the E-Procurement Service. Subsequently, the Supplier Manager will send those orders to the appropriate Vendor on State Contract. The State or State approved user, not the Supplier Manager, shall be responsible for the RFP, bids received, evaluation of bids received, award of contract, and the payment for goods delivered.
- D. Vendor agrees at all times to maintain the confidentiality of its user name and password for the Statewide E-Procurement Services. If a Vendor is a corporation, partnership or other legal entity, then the Vendor may authorize its employees to use its password. Vendor shall be responsible for all activity and all charges for such employees. Vendor agrees not to permit a third party to use

the Statewide E-Procurement Services through its account. If there is a breach of security through the Vendor's account, Vendor shall immediately change its password and notify the Supplier Manager of the security breach by e-mail. Vendor shall cooperate with the State and the Supplier Manager to mitigate and correct any security breach.

7.47 Remedies Not Exclusive

The remedies available to each party under the Contract shall be cumulative and shall not be mutually exclusive.

7.48 Survival

All provisions of this Contract which by their nature give rise to continuing obligations of the Parties shall survive the expiration or termination of the Contract, including, without limitation the terms of Sections 6.8, 6.11, 7 (the text between "Contractual Terms and Conditions and Section 7.1), 7.2, 7.5, 7.6, 7.7, 7.14, 7.18, 7.19, 7.22, 7.23, 7.25, 7.26 (as it pertains to any termination claim), 7.30.2, 7.30.3, 7.31, 7.32, 7.37 (as it pertains to any termination claim), 7.38, 7.40, 7.41, 7.43, 7.44, 7.45, 7.47, and 7.48.



APPENDICES



Appendix A: Glossary

Abatement	A reduction in or reprieve from tax, interest, penalty, or fees owed to the North Carolina Department of Revenue by a taxpayer.
Account	The compilation of activity related to the filing of a specific tax return or establishment of a specific type of taxpayer liability. Within a taxpayer entity, one or more accounts can be established based on type of return filed and/or taxpayer requirement (e.g., taxpayer required more than one Withholding account due to different locations).
Account Period	A period of time with a beginning and end date that requires an original return.
Accrued Interest	The interest that has accumulated on tax from the date the tax became due and payable to the date the tax is paid out, or to the current date if the tax is not paid out.
ACH	Automated Clearing House – Funds transfer system governed by the Rules of the National Automated Clearing House Association, which provides for interbank clearing of electronic entries for participating financial institutions.
ACS Clearinghouse	Affiliated Computer Services, Inc. - Computer data processing service that uses standard formats to process electronic claims and remittances.
Action Codes	A numeric indicator placed on a return by an employee to identify the type of action that needs to occur and to trigger special processing of the return in the system.
Address Type	The categories that define addresses, such as primary, billing, mailing, refund, and garnishment. Taxpayers, especially business taxpayers, often have multiple addresses
Adjustment	A change made to a taxpayer's account.
Affiliated Corporations	Corporations that have related ownership; typically one corporation is owned all or in part by another corporation, or one or more corporations are owned and operated as subsidiaries of a parent corporation.
Agent Warrant	A tax warrant issued to the local NCDOR agent to seize personal property duly assessed by the Department.

AGI	Adjusted Gross Income – Gross income, including wages, interest, dividends, and any other income that is subject to tax, reduced by certain deductions such as business expenses, health savings account, moving expenses, one-half of self-employment tax, penalties on early withdrawal of savings, alimony paid, contribution to IRA, and student loan interest deduction.
Allocations	To give proportionate shares of a total amount to members of a definable subset of the total. The members of the subset may share equally in the total or each may be entitled to a share that is different in amount from the other members.
Amended Return	A taxpayer correction to the original return. Taxpayer initiated.
Apportionment Factor	The percentage of a company's property, payroll and sales that is attributable to North Carolina, used in computing corporation franchise tax and partnership income tax.
Audit	The examination of a taxpayer's financial records to determine the level of compliance with North Carolina revenue law.
Base Jurisdiction	The member jurisdiction where qualified motor vehicles are based for vehicle registration purposes.
Bankruptcy	A court ordered means to facilitate the collection of debt, distribute the debtors assets among its creditors and provide its debtors with the ability for a new start.
Batch Processing	The processing of large volumes of returns and offline activities related to the processing of returns (e.g., credit forward of a refund to the next year's estimated tax).
Bates	Manual processing of deposits by assigning DLN numbers and posting deposits manually to RCA.
BEACON	Building Enterprise Access for NC's Core Operation Needs - North Carolina's program to streamline and standardize key business processes in Human Resources, Payroll, Data Warehousing, Budgeting, Financials, and Tax and Revenue. The mission is to comprehensively implement SAP, an enterprise resource planning software system that will lead to improved efficiencies, data sharing, and an overall improved usage of public funds.



BIA	Best Information Available
Bill	Any notice that informs a taxpayer of an assessment or money owed to the Department.
Bill of Rights	A document, known as the "Taxpayers' Bill of Rights" that explains the rights of a taxpayer and gives information about the Department's procedures and legal requirements along with information about how the taxpayer can resolve any tax issues.
BMF	Internal Revenue Service Business Master File – An IRS data file containing all tax data and related information pertaining to business taxpayers. The file reflects a continuously updated and current record of each taxpayer's account.
Bonds	A contract that guarantees a tax obligation will be met if the taxpayer fails to file returns and pay tax as promised. The bond has a monetary value and is backed by a surety, such as an insurance or bonding company.
BRTF	IRS Business Returns Transaction File
Budget Codes	Five-digit fund codes for accounting of all tax collections and budgetary reposting.
Business Class	A four-digit coding scheme used to classify Sales and Use establishments.
Case	A unit of work assigned to an individual to track the activity associated with that unit of work.
Certificate of Tax Liability	A legal document filed in the office of the clerk of superior court for the purpose of collecting money owed to the Department. The CTL has the same force and effect as a judgment and places a lien against any real or personal property owned by the taxpayer.
Certification	An official statement, usually in writing, that something is true or correct. Used by taxpayers generally to qualify for a privilege or to justify special treatment under the law, such as allowance of an exemption or credit.
Check	A negotiable instrument drawn against deposited funds to pay a specified amount of money to a specific person upon demand.



Collection Assistance Fee	A 20% fee imposed on an overdue tax debt that remains unpaid 30 days or more after the fee notice required by G.S. 105-243.1 is mailed to the taxpayer. A tax debt is overdue when any part of a tax debt remains unpaid 90 days or more after the notice of final assessment was mailed to taxpayer.
Collection Case	A case that contains a liability (either proposed or final billed) that is worked by the Collection Division for resolution of tax liability.
Collections	Revenues received by the Department from the taxpayer or by a representative on the taxpayer's behalf.
Collection Procedures	Any action taken by a DOR employee to collect a final bill. In most instances, these procedures include wage or non-wage garnishment, tax warrant, CTL, levy, jeopardy actions.
Combined Return	A return that has more than one entity or more than one tax type, such as Corporate Income and Franchise, filed together on the return.
Consolidated Return	A single income tax return filed for an affiliated group of corporations in lieu of filing separate returns for each corporation.
Contact Code	A number that identifies the relationship of a contact person to an account, such as the taxpayer, accountant, attorney, etc.
Conversation	In ITAS, a group of computer screens that all have similar business functions. For example, conversation F208 is a group of screens that all have the function of presenting financial information. A conversation usually consists of a prompt screen, a list screen and one or more detail screens.
Corporate Suspensions	The revocation of a corporation's privilege to do business in North Carolina due to failure to file returns and pay all tax due.
Correspondence	Any written request or inquiry, to or from taxpayer, based on NCDOR business.
Coupon	A small-sized document that can be used to identify either a return or a payment for processing purposes. A coupon can be either unqualified or qualified.
CP2000	Internal Revenue Service Under Reporters Data



Credit Forward	An overpayment amount carried over to the account for the succeeding year; usually an income tax overpayment designated by the taxpayer to be applied to estimated tax for the current tax year.
CTI	Computer Telephony Integration - Provides TACC agents with screen pops for both inbound and outbound calls.
Decals/Decal Number	The identification marker issued for each qualified motor vehicle at the time of registration or renewal. Decals are sequentially assigned by the vendor who manufactures the decal.
Delinquent Notice	A notice mailed to taxpayer due to return not being filed by due date.
Discount	A percentage reduction of a tax amount. Discounts were formerly used to reward timely filing and payment for taxpayers who collect tax on behalf of the Department, such as Vendors collecting Sales Tax. The discount percentage was set by statute.
Distribution	Collections paid out by NCDOR to an external entity based on General Statute provisions.
Diversions	Delivering motor fuel to a destination other than that shown on the shipping document.
DLN	Document Locator Number – A number assigned by the NCDOR and applied to returns and payments that are received by the NCDOR. The number is used to match the return liability and payment during processing and as an index value to retrieve paper or imaged copies of returns and payments.
Document	Any text information created on paper or by a computer that exists physically or in a computer; usually a tax return or payment coupon / voucher.
DOR Account ID	An ID that is assigned by the NCDOR to track a taxpayer per tax type.
EFT	Electronic Funds Transfer – Any transfer of funds initiated through an electronic terminal, telephonic instrument, computer or magnetic tape, so as to order, instruct, or authorize a financial institution to debit or credit a bank account.
ELF	Electronically Filed Returns – Typically refers to returns filed through the fed/state program.



Entity	An individual, a business or a legal creation that is subject to a tax.
Entity Type	An identifier of an entity, such as FEIN or SSN, which is represented by a code number.
E-Scanner	Scanner/Sorter that processes qualified coupons, vouchers, and checks/money orders. Capturing the amount due from the coupon or voucher and the amount paid from the check or money order in the first pass and encoding the check/money order and preparing it for deposit in the second pass.
Estimated Tax Interest	An interest amount owed by a taxpayer that accrues on estimated tax not paid, paid late or underpaid during the tax year.
Exemption	1) A fixed reduction amount applied to income that is based on status or circumstance rather than economics; for example, a reduction in income granted for dependent children. 2) A status applied to an entity that relieves the entity of a tax obligation.
External Interface	Data that is sent or received by the NCDOR from a third party through a batch process for the purposes of matching or updating the data (e.g., ESC interface).
Federal Abstract	Summary of the changes made by the IRS as a result of auditing a taxpayer's return.
FEIN	Federal Employer Identification Number – number assigned by the Federal Government to uniquely identify businesses.
Final Assessment	Based on "x" number of days after a proposed liability has passed without a valid request for a hearing, the liability becomes final and conclusive and collection procedures can begin.
Final Collections	Collections on final assessments.
FIPS	Federal Information Processing Standards - A standardized set of numeric or alphabetic codes issued by the National Institute of Standards and Technology to ensure uniform identification of geographic entities including states, cities, counties, towns, etc. These codes are currently used by NCDOR in conjunction with the Streamlined Sales Tax Boundary and Rate Databases to enable taxpayers to determine the correct amount of tax to collect based on the destination of the sale.



Forced Collection	Any legal action taken against a taxpayer to collect a legally assessed liability.
Foreign Address	Any address outside of the United States
Foreign Cases	Taxpayer resides outside the state of North Carolina and has an outstanding liability with the North Carolina Department of Revenue.
Form Type/Number	A three-digit number that identifies the type of form related to a transaction, such as a form related to an original return. The form type number is used most prominently for a suspended transaction, while a posted transaction would likely show a corresponding decode that is more descriptive of the type of form, such as "D400-NOPF."
Form Version	Identifier next to the form number on a return or coupon that identifies the layout and allows revisions to the forms.
Fraudulent Preparer	A tax return preparer who intentionally prepares a return with falsified tax information.
Fraudulent Return	A tax return that is purposefully falsified to obtain a refund that the return filer is not entitled to or to avoid paying taxes that are legally due.
FTI	Federal Taxable Income. Also Federal Tax Information, used to refer to information received from the IRS.
FuelTaCS	Fuel Tax Compliance System (DOT System) – A system developed by NC Department of Transportation that allows enforcement staff to issue sightings that can eventually be cross-matched to determine if a motor carrier has tax liability to North Carolina. It also allows DOR to post outstanding motor carrier tax liabilities for real-time collection efforts by NC State Highway Patrol at the time of sighting.
Fuel Tracking System	A system used to electronically receive Motor Fuel tax returns and interface with ITAS for financial reporting.
Function code	Internal codes used by the Department for posting and accounting of collections by tax type and deposit method.
Garnishment	A legal document that attaches to a taxpayer's wages or other intangible assets (levy).

Grace Date	The expiration date for a period of time beginning on the day after the due date during which a return can be posted to the system without generating penalties and interest. Grace dates are used to account for returns and payments mailed by the due date but not received by the Department until some time after the due date.
Hearing	A timely appeal by the taxpayer of the amount assessed and refund denied or cancellation of license.
IFTA	International Fuel Tax Agreement – An agreement between all 48 contiguous states and 10 Canadian provinces that enable participating jurisdictions to cooperate in the collection and administration of motor fuel taxes. An IFTA account is set up with the base state that authorizes travel in all IFTA jurisdictions. A single quarterly report must be filed with the base state reporting miles traveled and fuel purchased in each state. The base is state is responsible for dispersing the funds to the other jurisdictions.
IFTA Clearinghouse	This is a national clearinghouse designed to allocate fuel taxes between multiple jurisdictions for motor carrier activities across jurisdictional lines, in accordance with the International Fuel Tax Agreement. Each jurisdiction ups the monthly transmittal information to the clearinghouse. Other jurisdictions will access the clearinghouse to down all transmittals from all jurisdictions as they relate to their own jurisdiction.
IFTA Internet	The online taxpayer application for filing and paying IFTA quarterly returns and ordering IFTA and Intrastate decals.
IMF	Internal Revenue Service Individual Master File
Imprest Account	The Imprest Cash Fund is a fixed sum of money used for making change in a cash receiving function. The Department of Revenue uses its imprest account for making payments to financial institutions to cover payment for returned items. The imprest account is then reimbursed by either a transfer of funds from the tax budget code the money was originally credited to or from the collection of a returned item notice from the taxpayer.



Incremental Assessment	Any assessment subsequent to the original assessment treated independently of the other assessments within that period.
Informational Returns	Returns that have no financial impact.
Interest	A fee paid on money owed to the Department that begins to accrue on the day after the due date of the return. Interest compensates the State for having to forego other uses of the funds that are owed by the taxpayer.
Interstate Audit	A section in NCDOR that focuses on businesses located outside of North Carolina.
IRTF	Individual Return Transaction File (IRS tape extract). A file provided by the IRS that contains Federal individual income tax return information for all taxpayers in the IMF file.
ITIN	Individual Tax Identification Number – should be used only by taxpayers who do not have a social security number – federally assigned.
Jeopardy Assessment	Per North Carolina statute, an assessment of tax liability can be issued before the legal time period has passed to taxpayers who meet certain criteria such that legal collection proceedings can begin.
JETS	JAVA-Enabled Tax System - A computer system used to process assessments and payments for mostly smaller, more obscure tax schedules that are not integrated into ITAS.
Joint Account	Combines or relates two individual SSNs into one account to identify married taxpayers or taxpayers who <i>jointly</i> own a tax debt (e.g., Unauthorized Substance, RCO, etc.) for posting and processing purposes.
Levy	The obtaining of money by legal process through garnishment of wages or other intangible assets, or seizure and/or sale of property.
Lexis Nexis	A private company that provides data on taxpayers such as address, relationships, telephone numbers, assets through both a secured website and data exchange.
LIA	Line Item Adjustment – A change or correction to a line on a tax return which usually results in the creation of, or change in, a refund or tax due in an account.



Liability Settlement	A reduction or elimination of the balance due in an account, usually due to an offer in compromise or the inability to collect the amount due.
LLC	Limited Liability Company - A type of legal entity, authorized by states, whose owners and managers receive the limited liability and (usually) tax benefits of an S corporation without having to conform to the S corporation restrictions.
Monthly close-out	A process by which tax collections are distributed to various government entities and are finalized so the government entities can receive a monthly payment of their allocable share of the collections.
MSA	Master Settlement Agreement - An agreement made between U.S. states and the largest tobacco manufacturers that settles all claims alleged by any of the settling states regarding health damages related to tobacco usage. The settlement requires the manufacturers to pay the participating states \$206 billion over 25 years from the settlement. In return, participating states must enact the "model statute" included in the settlement agreement that establishes an escrow account funded by non-participating manufacturers to pay future claims against those manufacturers. Failure to enforce the model statute may result in a significant reduction in a state's allotment.
Multi-period Audit	The examination of a taxpayer's financial records to determine the level of compliance with North Carolina revenue law for multiple filing periods that are combined into one account period for the purposes of that audit.
NACHA	National Automated Clearing House – Electronic Payments Association that represents more than 11,000 financial institutions and 650 organizations through industry councils. NACHA develops operating rules and business practices for the Automated Clearing House (ACH) Network.
NAICS	North American Industry Classification System.
Non-Profits	An entity that is authorized by the states that qualify for special treatment provided by statute.
Note	Information documented in the system for clarification or explanation of a transaction or any action performed. Can be generated by the system or a user.



Notice	A standardized correspondence sent by the NCDOR to the taxpayer to notify of a change or other account activity.
Offer in Compromise (OIC)	A process of settling a debt with the NCDOR for less than the amount owed based on a variety of defined criteria.
Offset	Appropriation of a portion or all of the taxpayer's refund to satisfy the taxpayer's internal debt.
OFFP	Online Filing and Payments – The Department's web and internal client server applications designed to allow taxpayers to submit return and payment information. Also allows the Department to originate ACH Debit and Merchant Card transactions.
OSBM	Office of State Budget Management – A state agency within North Carolina government that executes the legislative, authorized budget; monitors and estimates revenue; collects, disseminates and explains data; develops information systems; provides fiscal advice to the Governor; and helps North Carolina state agencies to work more effectively.
Payment	Money received by the NCDOR to settle a tax debt.
Payment Types	An identifier that signifies the source of a payment.
Payroll Company	A third party that prepares and submits Withholding Tax returns and payments on behalf of employers.
PC Voucher	A NCDOR created in-house, down-sized document used to process payments so system will know where to apply the payment.
Penalty	Additional assessment based on the taxpayer's failure to comply with North Carolina law.
Penalty Type	It distinguishes different types of penalties assessed by the NCDOR.
POA	Power of Attorney - A legal document that allows a third party, usually an accountant or attorney, to act on behalf of a taxpayer and to exchange confidential taxpayer information with the Department of Revenue.
Predictive Dialer	An automated dialing system for outbound calls to anybody.
Proposed Assessment	As defined in G.S. 105-241.1, a written notification to the taxpayer of the kind and amount of tax due and of the Secretary's intent to assess the taxpayer.



Pro-ration Percentage	A taxpayer's North Carolina income divided by their total overall income from all sources. The resulting percentage is used to determine the taxpayer's taxable North Carolina income and tax liability. The number of decimal places used in the system should be determined by the tax form.
Protest	A taxpayer's objection to a proposed assessment, in the form of a written request for a hearing or a statement of the information and evidence upon which the proposed assessment is based.
Qualified Coupon	Small-sized form that has both a scanline and barcode.
Query	Specially requested, ad hoc report that can be generated on any criteria at any time based on user request to IT.
RAR	IRS Revenue Agent Report Data
RCA	Revenue Collections and Analysis system - Tracks and analyzes the North Carolina Department of Revenue's collection and distribution activity.
RCO	Responsible Corporate Officer – A liability of a corporation can be transferred to the corporate officers since they can be held personally liable for the corporation's debt.
Reallocations	Correcting the distribution of Sales Tax between counties.
Reason Code	The code that represents the cause or causes of the generation of an adjustment (bill or credit).
Refund	An overpayment of tax, penalty or interest that is sent to the taxpayer either in the form of a check or through direct deposit.
Refund Interest	An amount paid to the taxpayer at an established rate (G.S. 105-241.1(i)) on an overpayment. Interest on a refund accrues from a date 45 days after the latest of the following dates until the refund is paid: (1) The date the final return was filed; (2) The date the final return was due to be filed; or (3) The date of the overpayment.
Refund Only Account	An account for a tax return that is filed only for the purpose of applying for a refund of tax paid. Certain accounts, such as a non-profit sales refund account, exist for the sole purpose of creating and accounting for refunds and such accounts are not used to assess taxpayers.



Reinstatement	The restoration of a corporation's privilege to do business in North Carolina by the Secretary of State as a result of filing and paying all delinquent returns and taxes and paying a reinstatement fee.
Relationship	Linking of related entities within the system such as joint to single accounts, employer to taxpayer, preparer to taxpayer, etc.
Relationship Type	A short description designated by a numeric code that identifies how two entities are related to each other in the ITAS system. An individual entity, e.g., a husband, to a joint entity, i.e., the husband and wife, is the most common type of relationship.
Report	A produced set of data or statistics generated at regular intervals.
Return	A tax form submitted by a taxpayer for any particular tax schedule to identify tax activity. It is required by law that the taxpayer to submit for a particular tax period.
Returned Item	A payment in the form of a check or electronic fund transfer, or a payment DOR has made to a taxpayer that the payer's bank has refused to honor due to various reasons, such as insufficient funds. In the case of a returned ACH Debit Item, the Department's financial institution requests payment for the item DOR originated. In the case of a returned ACH Credit item, the Department is credited back for the ACH Credit returned by the receiving financial institution.
Returned Mail	Mail returned by the US Post Office because it was undeliverable as addressed.
Reversals	The complete retraction of an adjustment or action that leaves the account in the exact condition it was in prior to the adjustment or action.
Review Items	Potential problems or errors defined by management that must be looked at before the system takes action.
Scanline	A series of barcodes and numbers placed on a qualified coupon starting .5" from the left-hand corner of the document and .5" from the bottom of the form and contains the period, taxpayer identification number (SSN, account number, etc.) and function code. Each of these items will end with a Mod 11 check digit. This check digit is used to assist in verifying that the information captured is correct.



Schedule of Tax Paid	An organized list of payments made by a taxpayer that can be presented in summary or by tax year, tax type or other criteria and can be broken down into tax, penalty and interest
Secretary of State ID	A number assigned by the North Carolina Secretary of State to identify a corporation. . (SOS – Secretary of State)
Section Number	Internal codes used by Financial Services within the Department’s general ledger (RCA) for tracking refunds, transfers, distributions etc.
Setoff	Appropriation of a portion or all of the taxpayer’s refund to satisfy the taxpayer’s debt to an external agency.
Sheriff Warrant	A tax warrant issued to the local sheriff to seize and sell real or personal property duly assessed by the Department.
Software Vendor	A company that offers software packages to assist in the preparation of tax returns and payments of tax due.
Source	The origination of information or the event that caused some action to be taken in an account
S-Scanner	Scanner that processes large or small sized forms without a check.
SSN	Social Security Number – Federally assigned, unique number to identify individual taxpayer.
State Number	A unique number assigned to all motor carrier accounts for use on all correspondence.
Subsidiary	A business entity, such as a corporation, which is owned or controlled by another business entity. The controlling entity is usually called the Parent.
Substitute Return	A return created by the user or the system and processed into the system for the purpose of creating an action, such as an assessment against a taxpayer, or for the use of a DOR employee to make manual adjustments when no return exists in the system. Substitute returns may be used in place of a return submitted by a taxpayer or to serve as the original return of a non-filer.
Suppression	A time-limited or indefinite freeze on some or all activity that can occur in an account, usually imposed while DOR or a user resolves a problem or waits for a taxpayer to provide additional information.



Suspense	A status given to system documents or transactions with errors or exceptions. Such documents and transactions require user or automated action to complete or correct information before taxpayer and other records are allowed to be updated.
Suspense Budget Code	Budget Code of the Department assigned by the Office of State Budget and Management (SBM) allowing for deposits to be made to Suspense when it is known the funds should not be deposited to a tax budget code, or it's unclear at the time of deposit to which tax budget code the funds should be deposited. The funds deposited to this Budget Code are accounted for in the Imprest account owned by the Department rather than to the General Fund. Funds can be posted to the Suspense budget code through the four deposit sources: EFT, Data Capture, Manual Deposit, and Transfers.
TACC	Taxpayer Assistance and Collections Center – Serves as the main gateway for telephone interaction between citizens of North Carolina and the Department of Revenue for the purpose of collecting taxes and assisting taxpayers.
TAR	Internal Revenue Service Taxpayer Address Extract – A tape received from the IRS that contains a North Carolina taxpayer's latest address provided to the IRS.
Tax Credit	A dollar-for-dollar reduction in the tax liability required from a person or entity.
Tax Type/Schedule	A type of tax defined by the North Carolina General Statutes.
Taxpayer Entity	The legally established Federal entity as identified by a Federally assigned taxpayer ID (e.g., SSN, ITIN, or FEIN)
Taxpayer Profile	Information pertaining to a taxpayer such as address, relationships, and account types, available to the end user.
Third Party Representative	An authorized, external party that does business with NCDOR on behalf of the taxpayer
Tolerances	The allowable deviation from a standard within which no action will be taken. For example, the maximum deviation from zero allowed for the account to be considered in balance for refund or assessment purposes. Tolerances are set by management.



Transaction:	An item within an account, often a document such as a return or payment, which posts to an account for the purpose of recording financial activity, data or information.
Transaction ID	The unique number that identifies a transaction and allows the transaction to be accessed. The transaction ID number often provides a clue about the transaction's origin, function or accessibility. For returns and payments the transaction ID equals the DLN (Document Locator Number).
Transaction Types	The categories that define transactions, such as "original return," "payment with original," "external off-set," "informational return," etc.
Transfers	A type of transaction performed when moving information (returns, payments, etc.) from one place to another (account period to account period, etc.) From the perspective of ITAS "transfers" are made within the system to move funds from one tax budget code (tax type) to another budget code (tax type).
Transmittals	Distribution for Motor Fuels to other jurisdictions
Unallocated	Payments made to the NCDOR without a tax return.
Unqualified Coupon	Small sized form without taxpayer scanline.
Update Reasons	A standard set of brief text explanations that appear in the system to advise users about some action, or are placed on notices to explain adjustments to taxpayers.
Use Codes	Identifies business type for Motor Fuels Refunds for Federal and State reporting purposes.
User Authorization	Approval in the system that enables the user to perform specific functions.
Vendor	A merchant, a person or company that sells a product or commodities to others for use or re-sale. For Department of Revenue purposes, a Vendor is someone who provides products or performs services for the Department, or a merchant who remits Sales Tax collected from consumers on behalf of the State.
VISTA	Vehicle Information System for Tax Apportionment
Voucher	A DOR created qualified coupon used to process payments received without a qualified coupon so the system can apply the payment to the correct taxpayer period.



Waiver	Reduction or elimination of a penalty amount or fee.
William S. Lee Act System	A computer system that is used to store data received on the NC-478 tax forms, which are used to account for various business incentive tax credits. This DB2 system is not integrated into ITAS.
Write-Off	To eliminate a balance due that is conceded to be lost (Liability Write-Off), or to eliminate an overpayment (Collection write-off) that is not due to be refunded because of an error in the account or statute of limitations. The write-off can be reversed if a collection source becomes available or if the overpayment is determined to be refundable.

Appendix B: Project Management Specifications

Project Management activities include, but are not limited to, defining and executing processes, systems and techniques to effectively balance schedule, cost and resources to meet the measures of success of the project. All deliverables will be formally reviewed and approved by DOR. The Project Management Specifications apply to the entire term of the contract.

1. The Vendor is responsible for producing all deliverables defined in #9 below. Prior to beginning work on any deliverable, the Vendor must submit a detailed outline, format example, and description of the deliverable. DOR will review and approve the deliverable content and format, or provide any requested changes to the Vendor within fifteen working days.
2. Forms and templates used by the Vendor must be approved by DOR prior to use. At its discretion, DOR may require the Vendor to use internal DOR project templates.
3. The Vendor must ensure consistency among all deliverables associated with the project.
4. The Vendor must conduct their own internal quality assurance review of all deliverables to verify the accuracy, completeness, continuity, spelling, and content prior to submitting the deliverables to the DOR Project Manager for review and approval.
5. The Vendor must conduct "walk-through" meetings and presentations with the Project Team to review the deliverable for accuracy and completeness, and confirm DOR understanding of the deliverable content.
6. All deliverables identified within a project phase or task must be completed and approved by DOR before the project phase or task will be considered complete.
7. The Vendor must provide one copy of all deliverables in hardcopy form and on CD-ROM or other approved electronic media as approved by DOR.
8. In conjunction with DOR, the Vendor must participate in project review assessments at periodic intervals to be defined at project initiation and schedule finalization. At a minimum, this review will critique the project implementation process to date, the effectiveness of the overall project, and any recommendations for just-in-time improvement.

9. The Vendor must propose a comprehensive set of deliverables for the project, which include, but are not limited to:
- Project Management Plan
 - Project Schedule
 - System Implementation Plan
 - Weekly Status Reports, Meeting Agenda and Minutes
 - Issues Management Plan and Log
 - Risk Management Plan and Matrix
 - Staffing and Organizational Plan
 - Communications Plan
 - Change Management Plan
 - Quality Management Plan
 - Business Process Reengineering Plan
 - Training and Education Plan and Training Material
 - Test Plan
 - Operations and Transition Plan
 - Final Project Report
10. Project Management Plan
The Vendor must provide an initial Project Management Plan in its proposal. At a minimum, the plan must include assumptions, constraints and key risks. The plan must be updated when significant change occurs.
11. Project Schedule
The Vendor must provide an initial schedule and the associated Work Breakdown Structure (WBS) in Microsoft Project (2002 or greater) in its proposal. The Project Schedule in the proposal must show significant phases, activities, tasks, milestones and resource requirements necessary for DOR to evaluate the plan. Within the first 30 days of contract award, the Vendor Project Manager will work with the DOR Project Manager to finalize the schedule. In the finalized schedule, it is recommended that no task exceed 80 hours in work effort. After the project schedule is finalized, updates comparing and contrasting the proposed or planned tasks with the final schedule must be provided to DOR by the Vendor at the weekly status meetings.
12. System Implementation Plan
The Vendor must provide an initial System Implementation Plan in its proposal. At a minimum, this plan must outline the overall strategy for developing and implementing the solution. This plan must support a phased implementation approach that segments this project into manageable phases that can be sequentially implemented individually and independently from other project phases. If the approach changes, the document must be updated accordingly.

The System Implementation Plan must be structured to ensure minimal disruption and interference with DOR's daily operations. The plan must correlate with the Project Schedule. The Vendor must deliver a final Implementation Plan within sixty (60) days of Project Initiation.

13. Weekly Status Reports, Meeting Agendas and Minutes

The Vendor must provide status reports for regularly scheduled status meetings (weekly throughout the duration of the contract or as determined by DOR). The Vendor shall submit these documents in advance of each status meeting in the format approved by the DOR project manager. At a minimum, these status reports shall consist of:

- Review of previous week's progress in comparison to the Project Plan and Schedule;
- Status of major milestones and project deliverables completed, planned, delayed or added
- An updated Risk Matrix
- An updated Issues Log
- An updated Project Schedule reflecting actuals and progress since the last report comparing and contrasting the proposed or planned tasks with the schedule since the last report

The Vendor shall prepare and provide timely agendas and minutes for each meeting unless otherwise designated by DOR. These meeting documents must be included in the project working papers and a copy delivered with the Final Project Report.

14. Issues Management Plan and Log

An Issues Management Plan describes how issues shall be identified, monitored and resolved. The Issues Management Plan may be included as a subsection in the Project Management Plan.

15. Risk Management Plan and Matrix

The Risk Management Plan and Matrix shall describe how risks shall be identified, tracked, monitored and mitigated for the life of the project. The Risk Matrix must be updated for each Status meeting during the project. The Risk Management Plan may be included as a subsection in the Project Management Plan.

16. Staffing and Organizational Plan

The Vendor must provide an initial Staffing Plan in its proposal. The initial plan must include an organization chart showing how the Vendor plans to staff the project, including numbers, and it must name key Vendor personnel. Key personnel minimally include: the Vendor Project Manager, Vendor Deputy

Project Manager, Vendor Technical Lead, Vendor Lead Trainer and Vendor Business Process Reengineering Lead. If staffing levels will change during different project phases, the initial Staffing Plan must include a separate organization chart for each project phase.

The initial Staffing Plan must list all required Vendor staff and suggested State resources and specify each staff member's title, function, role, responsibility, allocation and authority. Proposals must include resumes of all Vendor key personnel. The Vendor shall deliver a final Staffing and Organizational Plan within fifteen (15) business days of Project Initiation.

17. Communications Plan

The Vendor must provide an initial Communications Plan in its proposal. At a minimum the plan must include: which individuals need what information, how frequently the information will be delivered, in what form the information will be delivered (i.e., formal report, meeting, etc.), and the entity or person responsible for ensuring the communication is delivered. The type of information to be communicated includes reporting of project processes and progress as well as procedures and responsibilities for problem management and escalation. The Vendor must deliver a final Communications Plan within sixty (60) days of Project Initiation. As project needs change, the plan must be updated accordingly.

18. Change Management Plan

The Vendor must provide an initial Change Management Plan in its proposal. A Change Management Plan describes how changes in scope, cost and schedule will be handled and escalated throughout the project lifecycle. At a minimum, the plan must include a description of how changes shall be identified, tracked and classified, and how changes shall be incorporated into the project or deferred. The Vendor must deliver a final Change Management Plan within thirty (30) days of Project Initiation.

19. Quality Management Plan

The Vendor must provide an initial Quality Plan in its proposal. The Vendor must deliver a final Quality Management Plan within sixty (60) days of Project Initiation.

20. Business Process Reengineering Plan (BPR)

The Vendor must provide an initial BPR Plan in its proposal. Upon Contract Award and during each Implementation Phase thereafter, the Vendor shall deliver all drafts and final version of the BPR Plan and materials pursuant to the approved Project Schedule. The BPR Plan shall clearly describe the Vendor's Business Process Reengineering and Organizational Change Management

strategy and shall clearly describe how each requirement shall be met as described in Section 3.2.5 Business Process Reengineering.

21. Training and Education Plan and Training Material

The Vendor must provide an initial Training and Education Plan in its proposal. Upon Project Initiation and during each Implementation Phase thereafter, the Vendor shall deliver all drafts and all final versions of the Training and Education Plan and training materials timely and pursuant to the approved Project Schedule. The Training and Education Plan shall clearly describe the Vendor's training strategy and shall clearly describe how each training requirement shall be met as described in Section 3.2.6 Training and Education.

22. Test Plan

The Vendor shall provide an initial Test Plan in its proposal. The Vendor shall deliver revised draft and final Test Plans after Contract Award, as specified in the approved Project Schedule. At a minimum, the Test Plan shall clearly describe the Vendor's strategy for performing Hardware Configuration Testing, Unit Testing, System/Integration Testing, Load Testing and User Acceptance Testing. The Test Plan shall describe the manner in which system interfaces, security requirements, and, if applicable, DOR electronic transactions will be tested. The Test Plan shall identify all automated testing tools the Vendor plans to employ, including the specific release/version number of the projects. If the Vendor plans to employ automated test tools, then all test data files shall be in electronic format suitable for input into other testing tools. The Vendor shall deliver revised and final Test Plans at the appropriate and approved times as specified in the approved Project Schedule.

23. Operations and Transition Plan

The Vendor shall provide in their proposal an initial Operations and Transition Plan that includes cutover, controlled production and operational readiness. At a minimum, the Vendor shall develop a plan to transition from the development and testing environment where the Vendor is implementing changes to the production environment where DOR implements changes and provides the day to day operational support. The Vendor shall deliver revised and final Operations and Transition Plans at the appropriate and approved time as specified in the approved Project Schedule.

24. Final Project Report

The Vendor shall provide a summary of the project for closeout purposes to satisfy DOR requirements.

Appendix C: Functional Specifications

To gain an overall perspective of the taxes administered and collected by DOR and the functionality required for TIMS, the contractor should reference Appendix E – Supplemental Tax Information.

Requirements arise from statutes, regulatory bodies and other state agencies. The intent is not to define how the requirements should be met in TIMS as the base COTS/MOTS system may accomplish the required functionality in a manner that is different than DOR is accustomed, but rather to specify what requirements should be met as part of the TIMS solution.

The Supplemental Tax Information is intended to provide the Vendor with a more in-depth understanding of DOR's nuances in tax administration. Specifically, this appendix provides helpful information such as seasonal requirements, number of accounts, volume, processes and other information that may be relevant to the different tax types.

C.1 General Requirements

The remainder of this section includes statements that require the Vendor to describe or define how their system will support the requirements inherent in the statements. Also included are general requirements that are not function-specific.

- G-1 TIMS must include all functionality from the existing systems (e.g., ITAS, JETS, RCA) even if it is not specifically referenced in the Appendices.
- G-2 TIMS must have simple and clear screen presentation of taxpayer information. Screen presentations must be logical, intuitive, and easy to navigate. TIMS must also standardize use of function keys such that there are not different uses of the same key in different areas of TIMS. TIMS should make use of drop-down menus, check boxes, buttons, custom tool bars, and other simple visual aids as much as possible.
- G-3 All user-defined criteria and business rules referenced in the requirements must be able to be maintained by using Graphical User Interface (GUI), menu, or a combination of these approaches.
- G-4 TIMS must allow users to interrupt a working session, perform activities in other unrelated areas of TIMS, and then return to the point that they were previously working.

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- G-5 Describe the type of system documentation that would be provided, and how and by whom the documentation is maintained. This would include, at a minimum, online help functionality, technical system documentation, functional system documentation, training materials, and end-user documentation.
- G-6 Describe the approach your organization would use to collect, document, test, verify, validate, and implement the detailed requirements in this RFP. What methods would your organization use to ensure the requirements are suitable, comprehensive, complete, and correct?
- G-7 Describe how your solution establishes taxpayer accounts and records activity on that account, including, at a minimum, account creation, the posting of returns and payments, adjustments, display of document detail, and recording and display of account history. Describe how your solution handles the relationship between state account number, federal identification number, ITIN, state-assigned account IDs, Secretary of State number, and/or social security number of the taxpayer.
- G-8 TIMS shall support DOR business requirements for federal data. Describe how your solution, in accordance with Federally prescribed guidelines, supports the following functions: tracking, loading, processing and the disposition of that data. Describe how your system maintains the distinction between Federal and State data. (For example, if an address is received from the IRS, how is it identified differently from an address entered by a user?)
- G-9 Describe how your system supports one taxpayer account with multiple taxpayers. TIMS must allow a single tax liability to be associated with multiple taxpayers and must relate all liability and payment transactions to one taxpayer account. TIMS must be flexible to allow the amount due on these accounts to be recorded once as an account receivable, but handled differently for billing, noticing, refunds and other account activity. For example, TIMS must provide capability for one bill to go to a joint account address, or multiple bills for the full amount to be mailed to individual taxpayers (USUB, RCO), or partial bills that equal the total amount to be mailed to individual taxpayers.
- G-10 Describe how your system presents taxpayer accounts for viewing and selection for update by the user, specifically when a taxpayer has multiple tax types and filing periods.
- G-11 Describe how your system allows users to search for taxpayers. Indicate which fields are searchable, and how the results are displayed.



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- G-12 Describe how your system stores and validates addresses and phone numbers. Include U.S. addresses and phone numbers, international addresses and phone numbers, how TIMS distinguishes between international and US information, and any field size limitations. Describe how your system selects the correct address for refunds, bills, etc. when multiple taxpayer addresses exist on the account. .
- G-13 Describe any standard external interfaces built into your system for the purposes of locating taxpayers and validating taxpayer addresses and phone numbers (e.g., FINALIST, NCOA, etc.). Identify the sources of information and what triggers access to that source (e.g., new filings, user lookup, batch process, etc.).
- G-14 Describe how your solution will enable DOR to automatically interface to external sources for most recent taxpayer addresses. Include the source, frequency, and timing of the update (e.g., with return posting, once per month, etc.).
- G-15 Describe how your solution standardizes addresses for the US Post Office. Include the source, frequency, and method of update.
- G-16 Describe how your system puts a taxpayer, account, or period on various levels of hold to prevent specific activity, including but not limited to generating notices and refund checks; how the hold is released; how users are kept informed on hold status; and how activity is tracked that occurs while the hold is in effect.
- G-17 Describe how your system is flexible to allow the prevention of billing, changing of due dates, or other activities by location (zip code, county, state) due to hurricane or other disasters, to provide the taxpayer with more time to file, etc.
- G-18 Describe how your system validates a name, including removing punctuation, etc., checking for abbreviations and special characters, and matching where the first and last names may be reversed or part of a business name may be missing (e.g., "The").
- G-19 Describe how your solution retrieves source documents relating to a transaction on an account using DOR systems, including Data Capture, EFT, Online Filing and Payments, and ELF.
- G-20 Describe how your solution supports error-checking and validity-checking on incoming data, including, at a minimum, field level errors, form level errors, duplicate return issues, missing data, balancing errors and incorrect periods. Describe how DOR business rules are added and maintained for the errors requiring manual intervention or automated correction during the initial processing phase. In addition, include how pending transactions are handled and

displayed in TIMS, how they are prioritized, sorted, and reported for any required manual work, and the methods used to release them for processing. Describe how errors are presented to the users for correction, and all associated work queues.

- G-21 Describe how your system processes payments and returns from multiple sources, such as electronic filings from the IRS and upload of large data files from other DOR systems (e.g., EFT, OFP, DCS). Describe how your solution supports document serialization/control to detect missing returns and payments from the point of data entry in the original system through the archiving process.
- G-22 Describe how electronic payments and returns processed by a remittance and/or imaging system are reconciled with the payments posted to TIMS. Describe how your solution accepts and tracks payments made by EFT, credit card, cash, or check, and how lost payments are recovered. Include how payments are matched to the corresponding transaction and tracked back to their source.
- G-23 Describe how your system handles and supports single payments for multiple accounts and periods from taxpayers, collection agencies, bankruptcies, employers, payroll companies, and other third party sources. Include how your system tracks a payment and allows the transfer of part or all of that payment when the payment is posted to multiple accounts.
- G-24 Describe how new forms and new form versions are added to TIMS. Include all steps required for creating and activating the form, and indicate who (technical or business user) completes each step.
- G-25 The existing system has a limitation that prevents form layout or calculation changes from being made to a form "template" once actual returns have been posted to TIMS. Describe how your system overcomes that limitation, including what type of changes are allowed and who needs to make the change (technical or business user).
- G-26 Describe how electronic data received from outside sources is processed, including loading into TIMS, viewing in TIMS, and/or matching to existing system data for extracting or reporting. Include how fields are defined and mapped, and who defines the interface (technical or business user).
- G-27 Describe how your solution supports the identification of fraudulent returns, fraudulent preparers, and tax protestors during processing.

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- G-28 Describe how your solution validates the identity of a taxpayer as new returns and payments are being posted to ensure that the returns and payments are posted correctly. Include how duplicate IDs are handled (e.g., SSN on the return exists on TIMS but the name and address are different), the matching criteria for matching the return and payment to the right taxpayer account, errors that are generated, how the errors are corrected, and how the criteria are established and maintained.
- G-29 Describe how your system handles the situation when a return and payment are submitted at the same time as separate transactions, and one posts but the other is pending for correction of errors.
- G-30 Describe how your solution handles account maintenance that occurs after the initial processing of a return or a document. This includes but is not limited to changes to the data that affect the original return and may be received in the form of a protest, refund request, amended return, or audit adjustment. Describe how your system handles an additional liability for a specific taxpayer's account period that already has a delinquent liability at a different billing and/or collection stage.
- G-31 Describe how your solution identifies, tracks, and accounts for the setoff and offset of taxpayer refunds.
- G-32 Describe how your solution handles returned payments (checks and electronic) due to insufficient funds or other reasons. Include how the shortage is posted to a taxpayer's account, the transactions that are generated by account status (e.g., billed), and how it is matched to the original filing transaction. Describe how your solution refers the returned payment for collection, and how the taxpayer is notified.
- G-33 Describe how a new tax type is added to your system. Include all the steps required for creating and activating the tax type, and indicate who completes each step (i.e., whether automated, business user, or technical user).
- G-34 Describe how an existing account is inactivated, including how returns and payments for prior periods are accepted, and how returns and payments past the inactive date are handled / processed.
- G-35 Describe how tax rate changes and modifications to business rules are maintained and documented, especially when minimal time may be given for changes due to legislative mandates. Include rate changes made in the middle of a tax period (e.g., July 17th effective date), and multiple rate changes in one tax period (e.g.,

1st change is effective July 5th and the second change is effective August 1st, both in the 3rd quarter.)

- G-36 Describe how an existing tax type is inactivated, including how returns and payments for prior periods are accepted, and how returns and payments past the inactive date are handled / processed.
- G-37 Describe how your system processes tax credits. Include how your system handles a non-refundable tax credit vs. a refundable tax credit.
- G-38 TIMS must support the selection of potential audit accounts based on DOR business requirements. Describe how your solution supports the selection of potential audit accounts for any tax administered by DOR, including the processing and comparison of third party information. Describe how your solution addresses and supports tax industry standards in the end-to-end audit process. Describe how the user will access a taxpayer's audit history notes and activities across tax schedules.
- G-39 TIMS must support DOR collection and compliance business requirements. Describe how your solution identifies, tracks, and accounts for delinquent taxes and for the filings associated with them (to include payments, payment arrangements, collection activities, seizures, third-party contractors, and protests).
- G-40 TIMS must support DOR Offer in Compromise business requirements. Describe how your solution identifies, tracks, displays on TIMS, and accounts for taxpayers who request an Offer in Compromise, including how the OIC is settled.
- G-41 Describe how you will ensure that the Department's existing notices and reports are defined to and implemented in TIMS.
- G-42 Describe how your system allows access to and searching of correspondence generated by TIMS. For example, if correspondence was generated as a result of a financial adjustment, can a user "click" on that adjustment and bring up the correspondence?
- G-43 Describe how and at what level (taxpayer, period, document, etc.) your solution generates and displays notes. Specifically, describe notes entered by DOR employees and those automatically generated by TIMS (if applicable). Include details on how notes are accessed by users even when the original notes may have been linked to various taxes, delinquencies or returns. Describe how notes

are changed, and what information is captured for the changes (e.g., audit trail info).

- G-44 Describe how your system routes work items and cases for action or follow-up by specific employees, and what type of work items can be defined. Describe how the business rules for workflow are created and maintained.
- G-45 TIMS must support the timely receipt and distribution in accordance with North Carolina Tax Laws and DOR business rules for a variety of taxes to hundreds of jurisdictions. Describe how your solution supports the timely collection and timely allocation/distribution of Sales Taxes and other taxes to multiple (at least 700) cities, counties, and special districts. Describe how receipts and disbursements are compiled and reconciled. Describe how special rules regarding some disbursements are handled, including how receipts are handled when no return has been filed yet to indicate how to distribute the money.
- G-46 Describe how your system handles escheats of refund checks.
- G-47 Describe how your system handles reconciliation of refund checks written, returned, cancelled, and paid.
- G-48 Describe how electronic data to be sent to outside sources is created. Include how fields are defined and mapped, what data formats are available, and who defines the interface (technical or business user).
- G-49 Describe how your solution supports a tax industry-standard, robust and flexible reporting architecture, including the ability for user-defined ad-hoc querying; system-wide summary reporting that includes both summary and detailed reports as well as executive dashboard reporting. Provide a description and sample of the report directory capability with your solution. Describe how your proposed reporting architecture could streamline DOR's reporting capabilities.
- G-50 Describe the tax industry-standard analytical and statistical reporting features of your solution including trend analysis, variance analysis, regression analysis, projections, what-if analysis, random sampling, and charting.
- G-51 Describe how your solution handles the creation and maintenance of reports. TIMS must support querying and reporting against any data fields defined by DOR. Provide detail regarding the effort required to create a report, the ability to create a real time report and print it on a local printer, the output types that are available for reports, any limitations to TIMS data that can be included in any report, and how TIMS prioritizes reports for generation and for printing.

- G-52 Based on your experience with implementing your COTS/MOTS solution, describe the quantity and types of reports that have been required.
- G-53 Describe how a user can “drill down” to the details behind a number found on a summary report to perform additional analysis.
- G-54 Describe how your solution supports the tracking of changes to account and/or transaction information and tax industry-standard transaction-based audit trail functionality. Describe how your system tracks the viewing of account and/or transaction information.
- G-55 Describe how your solution tracks cigarette inventory and stamp inventory and compares the two, and how your system tracks cigarette inventories and packs subject to NC excise tax.
- G-56 TIMS must support DOR bankruptcy business requirements. Describe how your solution supports the receipt and processing of bankruptcy information received from the U.S. Bankruptcy Courts, the creation and processing of bankruptcy claims based on that information, and the suppression of collection activity. Describe how your solution handles and supports single payments for multiple accounts from trustees and other sources.
- G-57 Describe how your system tracks mail returned by the USPS.
- G-58 Describe how your system handles tax returns received for a tax that is no longer effective.
- G-59 Describe how your system tracks payment agreements for taxpayers with multiple debts included in the agreement. Describe how and when new debt is added to an existing payment agreement.

C.2 Taxpayer Profile and Account

Overview

The current system stores taxpayer profile data (e.g., name, address, IDs, phone numbers) at the entity and account levels. Most of the data required for processing is available, but is not easily accessible or searchable. Also, navigating between entities and down through the accounts when answering taxpayer calls or making adjustments is cumbersome, confusing, and time-consuming.

The current system also has a variety of identifying numbers used to track and maintain unique occurrences of data entities. As tax returns and payments are received, TIMS must be able to post the returns and payments to the correct taxpayer's account using a combination of identifiers and other taxpayer profile data.

General Requirements

- T-1 A summary of key system activities and statuses must be easily viewable at the entity, account, and tax type levels, including but not limited to entity ID, name, primary address, phone number, list of accounts, number of cases / workflow items, how many times late filed, total payments made, payment history, total dollars owed, and indicators for bankruptcy or other key statuses (as defined by business rules).
- T-2 Users must be able to search for a taxpayer by entity ID, account ID, DOR unique ID, name or partial name, address or partial address, telephone number, e-mail address, business class, NAICS code, or any combination of the above.
- T-3 When viewing a taxpayer summary, TIMS must allow the user to easily "drill down" to taxpayer account summary and detail information, and then navigate back up to the summaries just as easily.
- T-4 TIMS must display all information for a taxpayer and all of their accounts in a user-friendly, clear format such that the history of all activity is easy to follow and understand.
- T-5 A history of changes to all taxpayer profile data must be kept for audit trail and worker productivity reporting and analysis purposes.
- T-6 TIMS must allow the user to define rules by tax type for creating taxpayer entities and registering taxpayers from tax return information. For example, when an individual files a return and that person's SSN and name are not on TIMS, TIMS will create a taxpayer entity and account from the return data and then post the return to that account. The Department must be able to establish

similar business rules for other tax schedules, such as Partnership, Fiduciary, Estate, Gift, and others.

- T-7 TIMS must allow the users to view all pending activity for a taxpayer, including all items in payment or return suspense, refunds pending, assessments pending, or activity that has been suppressed.
- T-8 For all taxpayer profile data (name, address, account, etc.), TIMS must store the source of the data (e.g., return filed, IRS data exchange, USPO, user update), including automatically adding a source based on the user-entered reason code (e.g., Federal data that is manually entered from a Federal source).
- T-9 TIMS must allow users to view and work on accounts for more than one taxpayer at a time.

Business Registration Requirements

- T-10 TIMS must have a business registration function that allows the user to register multiple accounts at one time and only enter one time the information that is applicable to all of the accounts.
- T-11 TIMS must provide a means to automatically register taxpayers via lists received from external sources (such as payroll companies), provided all required information is available electronically.
- T-12 TIMS must provide a means to process scanned business registration forms or receive other automated input to create taxpayer accounts based on user-defined business rules, including creating workflow items as needed to handle exceptions.
- T-13 For manual registration of businesses, the users must be able to enter all data in one place that is required to establish the business. The Department must be able to define business rules for which fields are mandatory and which fields are optional at the entity and account levels. If a mandatory field is not entered, TIMS must prevent the user from adding the taxpayer.
- T-14 When a registration is received for a business that does not have an entity on TIMS (e.g., a company is registering for Sales Tax but DOR doesn't have the corporate entity established), TIMS must allow the users to create the corporate entity profile with the information provided by the taxpayer. When information is subsequently received from the Secretary of State (SOS) or other source, TIMS must be able to ensure that the existing entity is updated (vs. adding a duplicate taxpayer) by matching via FEIN, name, address, and/or other profile information as defined by business rules.

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- T-15 When registering a taxpayer, if the taxpayer is not on TIMS, TIMS must only add one address to TIMS at the entity level, and provide an option for the users to add additional addresses by account.
 - T-16 Sales Tax accounts must be able to be registered as “wholesale only” such that they get a license only but are not required to file Sales Tax returns.

Taxpayer Entity Requirements

- T-17 Individual taxpayers are identified by SSN and/or ITIN. TIMS must provide the capability to store SSNs and ITINs for all individual taxpayers and match by name, address, and other profile information.
- T-18 SSNs and ITINs are unique as established by the IRS. However, due to taxpayer errors, identify theft, and other problems, TIMS must be able to store duplicate SSNs and notify the users via the workflow that a duplicate SSN (name does not match) has been identified.
- T-19 TIMS must enable the users to easily correct or delete invalid SSNs and ITINs and the associated account data, or allow a name change (in the case of a name mismatch because the taxpayer changed their name), and provide an audit trail.
- T-20 A corporation is identified by FEIN and Secretary of State (SOS) ID. A corporation can only be added manually or via an established data interface. Most corporations are added via the SOS interface (see Data Exchange and Interface requirements). TIMS must store the source of the update (SOS or manual), and the corporation type (e.g., nonprofit, S-corp, etc.)
- T-21 FEINs as assigned by the IRS are unique. TIMS must prevent the user from adding a duplicate FEIN to TIMS, and instead should handle the information based on the Department’s business rules.
- T-22 SOS IDs as assigned by the SOS are unique. TIMS must prevent the user from adding a duplicate SOS ID to TIMS.
- T-23 TIMS must assign a unique DOR identifier to individuals and corporations that can be used on correspondence in place of the SSN, ITIN, FEIN, or SOS ID, and can be displayed on the screens.
- T-24 The unique DOR identifier must be able to be easily and quickly changed (and the posted data “moved” to the correct taxpayer) if the “new” taxpayer is found to be already on TIMS or other errors are discovered.

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- T-25 For each taxpayer entity, TIMS must store and track, at a minimum, entity IDs (either SOS ID and FEIN, or SSN and ITIN), entity type (business or individual), unique DOR identifier, primary address, legal name, primary telephone number, and NAICS code, trade name, corporation type, incorporation date, state of incorporation, county code, e-mail address, etc.
- T-26 TIMS must restrict name changes for corporation legal names so that only authorized users can change legal names.
- T-27 TIMS must provide a means for users to manually set or define business rules for automatically setting a number of different flags at the taxpayer level that will be easily viewable on the taxpayer's record as well as drive certain processing. Flags include but are not limited to:
- a. Bankruptcy
 - b. CID
 - c. Tax Protestor
 - d. Hearing/Hold
 - e. Fraudulent taxpayer
 - f. Fraudulent preparer
- T-28 TIMS must provide the capability for storing and tracking relationships between various entities based on business rules that define how the relationships are established. TIMS must allow the user to easily view all relationships for a taxpayer and the type of relationship. The type of relationships includes but is not limited to:
- a. Employers and taxpayers (for garnishments)
 - b. Payroll companies and their taxpayers (for Withholding Tax)
 - c. Form vendors and taxpayers who filed that form
 - d. Tax preparer and taxpayer
 - e. Taxpayer and an entity they have granted Power of Attorney
 - f. All partners in a partnership
 - g. Corporate taxpayers and the responsible corporate officer(s)
 - h. Corporation and affiliates
 - i. Shareholders in an S-Corp
 - j. Taxpayer and law enforcement agencies
 - k. Gift donor to donee(s)
 - l. Estate to beneficiaries
 - m. Spouses
 - n. Bank and other entities (for non-wage garnishments)
- T-29 To facilitate relationships, distributions, and specific types of correspondence, authorized users must be able to add entities other than taxpayers that may

never have a tax debt or specific accounts added. This includes but is not limited to an employer outside NC, a Power of Attorney, taxing jurisdictions outside NC (for motor fuels distribution), nonfiler (Individual Income), bankruptcy courts, courts or law enforcement agencies within NC (Estate or Unauthorized Substance distribution), or accounts for internal DOR use only. These taxpayers must be able to be deleted (with audit trail) or marked such that they don't appear on reports unless specifically requested.

- T-30 TIMS must allow users to combine taxpayers and their accounts together into one new entity, or to an existing entity, to accommodate corporation mergers and acquisitions.
- T-31 TIMS must allow the user to identify a taxpayer as "no waiver" by tax schedule such that penalties cannot be waived for that taxpayer without special authorization.

Account Requirements

- T-32 A corporation (FEIN/SOS ID) or individual (SSN/ITIN) can have one or more accounts (e.g., Withholding, Sales, Privilege License, etc.), as established by business rules. For example, only a corporation can own a Corporate Tax account, but either a corporation or individual can own a Sales Tax account.
- T-33 For each taxpayer entity, TIMS must allow only one of the same type of account (e.g., Corporate), or multiple accounts for the same type (e.g., Withholding) , as designated by business rules. Each account must have a unique identifier (where required for that account). For example, a corporation can only have one Corporate Tax account, but can have multiple Withholding accounts.
- T-34 TIMS must allow the users to establish and maintain the list of valid types of accounts and associated business rules (currently an IT function), including but not limited to rules for field level validation and lookup, and rules for which fields are mandatory vs. optional by type of account.
- T-35 For each account, TIMS must store, at a minimum, effective begin and end dates, type of account, account ID, county code, electronic filing required indicator, and filing frequency. Optional elements include but are not limited to trade name, address(es), phone number(s), e-mail address(es), etc.
- T-36 Most accounts are identified by an Account ID that is assigned by the Department. TIMS must allow business rules to be established that determine which accounts require an Account ID, and the rules for formatting and automatically assigning that ID.

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- a. The Account ID as established by DOR varies in length by account and/or tax schedule, and is stored in an alpha-numeric field. The minimum length is 4, and maximum length is currently 12 (but could be longer).
 - b. TIMS must ensure that the Account ID remains unique, regardless of the length or how it is assigned.
 - c. The Account ID must be a unique to a specific taxpayer and unique to the account, but the same Account ID can be used for more than one account for the same taxpayer. For example, if Bob's Produce with FEIN 123456789 has a Withholding and a Sales account, both can have the Account ID 555555555. But no other taxpayer can use that Account ID.
 - d. TIMS must be able to track and assign unique Account IDs in a range by account or group of accounts. For example, the Account ID range for Sales, Withholding, and Privilege License may be 600000000 through 699999999, while the Account ID range for Cigarette may be 4000 through 4999.
 - e. TIMS must allow the user to assign the Account ID manually (bypass the automatic assigning of IDs), as long as it is unique.
- T-37 TIMS must be able to relate one or more individual taxpayers together and establish a joint account. Joint accounts need to have an effective date, but do not need to have an Account ID. Two types of joint accounts are:
- a. Individual Income, which is established using the filing of a return. For example, if Jane Doe and John Smith filed individual returns for 2001, and then were married and filed a joint return for 2002, TIMS must automatically relate their entities and establish a joint account with a 2002 effective date. If John and Jane divorce in 2004, and John remarries Linda Jones and files a 2004 joint return with her, TIMS must be able to end date his old relationship as of 12/31/2003, create a new relationship with Linda, and open a new joint account effective 1/1/2004. Also, when Jane's single return is received for 2004, TIMS must process it as an individual account and end date the relationship.
 - b. Others, including but not limited to accounts in Unauthorized Substances, Responsible Corporate Officers (RCO), and Motor Fuels, which are established manually. TIMS must allow users to manually create a joint account with two or more taxpayers who jointly own a tax debt. The user must be able to enter a joint account ID (USUB case ID) that is used for noticing, financial tracking, and reporting purposes. The account can be

manually closed or automatically closed when all payments have been received.

- T-38 TIMS must be able to establish accounts as “refund only” based on business rules. These accounts do not require a liability but are only used to refund a taxpayer based on an amount requested and other calculations and edit rules.
- T-39 TIMS must be able to establish accounts as “audit only” based on business rules. These accounts can be tax due or refund, and can be for any period length. The user must be able to create liabilities on these accounts without posting an actual tax return.
- T-40 TIMS must provide an automated process to close accounts and generate a letter to the taxpayer based on user-defined criteria, such as no activity over “x” periods.
- T-41 TIMS must display the same accurate account balance for a taxpayer no matter where in TIMS the user is viewing the balance. (Note: in ITAS, different balances are displayed depending on where users are working in the system.)
- T-42 TIMS must enable the user to identify accounts that should not receive penalty and interest.
- T-43 For some tax schedules (currently Sales Tax, Withholding, Tobacco, Alcohol, and Insurance), taxpayers are evaluated annually to see if their filing frequency needs to be changed and/or if they should be paying electronically based on changes of the amounts they are paying. TIMS must provide the capability to define business rules for and run an annual job to send notices and automatically change the filing frequency and electronic filing indicator (if applicable) of taxpayers who meet the criteria.

Address Requirements

- T-44 Each entity and account can have multiple addresses designated for different purposes. A primary entity level address is required, and the taxpayer can also have a refund address, location address(es), or other addresses for specific use as defined by business rules. TIMS must provide this capability.
- T-45 The users must be able to define address types and a hierarchy of how the address types are used. One example is refunds: mail to a refund address for the account if found, else use the primary address for that account if found, else use the entity level refund address if found, else use the entity level primary address. Another example is notices: send specific notice types to the account

level address if found, and if not send to the entity level primary address; always send other notices to the entity level primary address.

- T-46 All addresses must be standardized using U.S. Post Office guidelines before being stored on TIMS. This includes addresses that are manually entered as well as those received from returns, payments, or other batch input. (Note: currently the Department uses FINALIST software to perform the standardization.)
- T-47 TIMS must be able to correctly store international addresses (addresses outside the US), including alpha-numeric zip codes.
- T-48 Addresses must have an effective begin and end date, an indicator to identify that the address has been verified (by automatic or manual methods), and a source code for where the address was obtained.
- T-49 TIMS must allow the users to establish business rules for marking an address as verified or unverified by the USPO.
- T-50 When an address is added or changed, TIMS must look up the correct county and country on a system table stored on DOR's network and update the TIMS record with the correct county, country, and FIPS codes. The county and country table(s) and FIPS codes must be maintained from an external source (e.g., USPO, Finalist software, etc.) and only require routine updates/upgrades by DOR to keep the table current. The table maintenance should not require manual entry of codes or other fields.
- T-51 The users must be able to enter (and have verified) addresses that are not taxpayer-specific. These addresses are used to identify potentially fraudulent returns as returns are being posted. (see A-37)
- T-52 TIMS must enable users to add an address with a future effective date. No correspondence should be sent to that address until on or after the effective date.
- T-53 TIMS must be able to display the correct address that was in effect when a return was filed, correspondence sent, or payment made.

Telephone Number Requirements

- T-54 TIMS must be able to store multiple telephone numbers (including extensions) for a taxpayer at the entity level, by phone number type, source, priority, and status. The telephone numbers are extracted and sent to the Predictive Dialer for making outbound collection calls.

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- T-55 TIMS must allow the user to define phone number types (e.g., home, office, accountant, cell, etc.), sources (e.g., tax return, registration form, taxpayer direct, etc.), and the business rules for each combination of type and source, including but not limited to calling priority, more than one number allowed, tax type, etc.
 - T-56 If a telephone number is changed, TIMS must keep the old number as "inactive."
 - T-57 TIMS must allow the users to specify a number as "active" but never extracted for the Predictive Dialer. Users must also be able to specify one number for a taxpayer as "always call first."
 - T-58 TIMS must prevent duplicate telephone numbers from being added for the same taxpayer. However, the same telephone number can be stored for multiple taxpayers (e.g., roommates).
 - T-59 TIMS must be able to store international phone numbers, and indicate that they are international numbers.
 - T-60 TIMS must be able to store phone numbers that are used specifically for correspondence.

Suppression Requirements

- T-61 TIMS must allow the users to manually "suppress" outbound activity (e.g., sending refund checks or bills) for a taxpayer at a variety of levels. Reason for suppression must be entered by the user from a predefined list, including but not limited to returned mail, bankruptcy, corporate suspensions, correspondence received, etc.
- T-62 TIMS must allow the users to define business rules that will automatically suppress specific taxpayer activity. For example, don't send out a final bill if the proposed assessment was returned or protested; or, send out a proposed assessment if in bankruptcy status, but don't send out a final bill.
- T-63 TIMS must allow the users to define business rules for automatically releasing items under suppression, including but not limited to account is paid in full, address has been found, payment has been received, etc.
- T-64 TIMS must generate workflow items to allow users to track all accounts and taxpayers with suppressions.

The following requirements are preferred or future requirements of the Department:



TF-1 TIMS should be able to generate qualified coupons for taxpayers who file down-sized scannable documents.

C.3 Submissions

Overview

The submissions process is the means by which all returns and payments are first uploaded to TIMS. The sources for submissions are:

- Data Capture System (DCS) – paper checks and returns that are formatted for scanning and automated data capture
- Online Filing and Payments (OFP) – electronic returns and ACH debit and credit/debit card payments that are filed by the taxpayer using the web
- Electronic Funds Transfer (EFT) – ACH credit payments filed directly by the taxpayer
- Electronic Filing (ELF) – electronic returns received from the joint Fed/State electronic filing program. Includes Individual Income (current) and Corporate (future).
- Manual data entry – all paper returns and payments that cannot be processed through data capture are manually entered directly into TIMS.

Data from these sources is loaded to ITAS via custom interfaces. All interfaces must be re-written to post to TIMS.

Limitations and problem areas with the current system are as follows:

- Today, all payments are uploaded daily to a separate system for Revenue Accounting purposes, but may not be uploaded to ITAS that same day. Since TIMS includes Revenue Accounting, it is imperative that all payments are uploaded the same day they are processed for deposit
- A limited number of edits are performed on returns and payments to reduce processing time overhead. The Department desires capability to define and perform a much larger number of edits and data validation to minimize double work, errors, and back end processing.
- The current error correction process only identifies one error at a time. The process to correct and re-validate the return is overnight, so if the return contains multiple errors it may be days before it is posted to the taxpayer's account.
- The Department currently performs many manual activities related to processing check payments received without a voucher or return, including researching the various systems to see where the payment belongs and then creating manual vouchers to enable DCS processing. The Department desires the implemented solution to alleviate some of these manual efforts.
- When a return and payment are uploaded to ITAS on the same day and one of them posts to the taxpayer's account while the other suspends, ITAS will begin the refund or assessment process based on the posted item without checking

suspense items. Also, for some account types the Department holds the tax return to give the payment enough time to post. The Department desires that the implemented solution address and correct this problem such that ALL activity on TIMS, whether suspended or posted to the taxpayer’s account, be taken into consideration before refunds or assessments are generated.

- Definition of new input sources and layouts is time-consuming and cumbersome.

The Department spends a substantial amount of time keying in Sales and Use tax breakdown forms and reallocations. The taxpayers have indicated a desire to send spreadsheet data, but ITAS is not flexible enough to accept the data without a large re-programming effort. (See Exceptions requirements, Sales Tax section).

Document Locator Number (DLN) Requirements

S-1 The Department’s source systems currently assign an intelligent Document Locator Number (DLN) that is uploaded to ITAS and maintained on the source system to enable a cross-reference between the two systems. This capability is required in the implemented solution.

S-2 The DLN is 13 digits. For manual data entry into TIMS, the format must be as follows when the DLN is assigned by TIMS:

- a. S Y DDD IS BBB 999, where
 - i. S = system ID (“5” for TIMS)
 - ii. Y = last digit of the year
 - iii. DDD = Julian day
 - iv. IS = Input Source (value TBD)
 - v. BBB = system assigned batch ID
 - vi. 999 = system assigned sequence number within batch

S-3 Other sources currently in use at DOR include:

Src	Title	Format	Format Description
3	Manual Document	Various	Used in Motor Fuels and possibly other divisions where paper documents are not processed through Data Capture.
4	Electronic Filing (ELF)	S Y DDD IS XXXXXX	S = 4, Y = last position of year, DDD = Julian day, IS = input source, XXXXXX = sequence #



6	Data Capture	S Y DDD ID BBB XXX	S = 6, Y = last position of year, DDD = Julian day, ID = scanner ID, BBB = batch #, XXX = seq # within batch
7	General Format	S ID Y DDD XXXXXX	S = source, ID = assigned interface ID, Y = last position of year, DDD = Julian day, XXXXX = seq nbr
9	Electronic Funds Transfer (EFT)	S TT N Y DDD XXXXX	S = Source, TT = Tax Type, N = "9," Y = last position of year, DDD = Julian Day, XXXXX = sequence number

Other formats that are no longer assigned but exist on the system and may be converted to TIMS are:

1	ARPS Substitute	S YY TT XXXXXXXX	S = 1, YY = Process Year / Substitute Code, TT = Tax Type, XXXXXXXX = Subdoc# / Bates# / Return#
0	ARPS Qualified	S TT N Y DDD XXXXX	S = Source, TT = Tax Type, N = transport number, Y = last position of year, DDD = Julian Day, XXXXX = sequence number
2	Manual Remittance (MRPS)	S YY TT XXXXXXXX	S = Source, YY = Process Year / Substitute Code, TT = Tax Type, XXXXXXXX = Subdoc# / Bates# / Return#
3	Data Entry (TARTAN)	S YY TT XXXXXXXX	S = Source, YY = Process Year / Substitute Code, TT = Tax Type, XXXXXXXX = Subdoc# / Bates# / Return#

S-4 The DLN must be unique. If a duplicate is found, the incoming payment or return must suspend for correction.

S-5 The DLN must remain with the original payment or return as it is transferred around TIMS.

Tax Form Requirements

- S-6 TIMS must process all tax forms, all years, that are provided on the Department's website (www.dornnc.com/forms), including some or all of the fields on the forms as defined by the users. Also note that some forms contain sub-forms that are optional. For example, the Corporate CD405 may or may not include the Tax Credit form CD425, which may or may not include William Lee Tax Credit forms NC478x. The system must allow the Department to define business rules for how forms are related, including identifying which fields on the main form are the results of calculations on the sub-forms.
- S-7 TIMS must allow an unlimited number of fields per form, and must be able to store the complete field size. For example, if a proration percentage is shown on a form with four (4) decimal positions, TIMS must be able to store the full field and use it in calculations.
- S-8 TIMS must display the line items on the screen in a similar format to the tax form itself.
- S-9 TIMS must allow the user to define edits for individual fields or combination of two or more fields.
- S-10 TIMS must allow the users to define different versions of the same form for different tax periods.
- S-11 TIMS must allow the user to change the definition of a form in the middle of a tax period such that data on forms already processed will not be impacted. For example, if it is determined at the beginning of a tax year that line 24 on the D400 is not needed, and the Department later determines that it should be captured, TIMS must allow the addition of line 24 without affecting forms already posted without it. As the earlier forms are selected by the user for adjustment, the user must then be prompted to enter line 24. The system must also be able to identify the difference between forms where the amount is zero and forms where an amount has not been entered (in viewing and for queries).

Edit and Validation Requirements

- S-12 TIMS must provide the means to reconcile, or balance, the transaction count and payment amount received from source systems back to what was sent from the source system to ensure data integrity across systems and verify that no transactions were "dropped." The counts and amounts must be reconciled by date and budget code.

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- S-13 TIMS must be able to perform edits at the field, form, tax schedule, account, and taxpayer levels as defined by user business rules.
 - S-14 TIMS must enable users to easily establish and maintain edits at all levels using easy to update tables (currently done by IT).
 - S-15 TIMS must allow the user to define a variety of edit types including but not limited to field-level reasonableness checks (e.g., seven (7) out of nine (9) digits of the SSN are correct and the last name first four (4) characters match), form calculations, taxpayer profile data match and validation, duplicate period, form type validation, checking data on a return against a master file of valid values, status of the tax period, field level minimum and maximum values, line items for specific NAICS codes, etc.
 - S-16 For errors found, TIMS must allow the user to define business rules such that some errors are automatically corrected, some cause the return or payment to suspend, some are routed via the workflow for special attention, and some allow data to be deleted from suspense if the item needs to be re-scanned or re-sent from the originating system.
 - S-17 TIMS must allow the user to easily copy "edit and validation" rules from one form or tax type to another.
 - S-18 TIMS must identify ALL errors on an incoming payment or return at one time and display to one user for correction.
 - S-19 A single return or payment must only be routed to one user for correction regardless of the number and type of errors, based on user defined workflow. For example, if user1 normally works address errors and user2 normally works line item errors, a return that has both address and line item errors must be routed to the same user.
 - S-20 TIMS must allow the payment or return to be routed to specific groups within DOR depending on the type of error found. For example, if a Sales Tax return is received with an invalid account ID (e.g., missing, or taxpayer name mismatch), the return must be routed to the business registration unit for handling. If the account ID is valid but the line items are incorrect, the return should be routed to a different unit.
 - S-21 TIMS must store the user ID, date, time, and reason for all corrected errors (for productivity reporting).
 - S-22 TIMS must perform real-time posting of the payment or return to the taxpayer's account once all errors have been corrected.

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- S-23 If all errors cannot be corrected at one time, TIMS must allow the user to “route” the payment or return for additional action (see Workflow and Case Management requirements).
 - S-24 TIMS must allow the users to make changes to edit criteria, and then “mass recycle” groups of returns that meet user-entered selection criteria. This will enable returns that previously suspended but are now correct to be posted without user intervention.
 - S-25 TIMS must perform the same edits on manually entered payment or returns that are performed on payment or returns received from source systems.
 - S-26 If a payment or return is received without enough identifying information to post to an account, DOR will need to receive additional information from the taxpayer. TIMS must provide the option to generate a letter to the taxpayer or system note and place the payment or return into a status indicating that a taxpayer response is required before the payment or return can be corrected or posted. Examples include but are not limited to missing return information, duplicate period found, or tax ID not valid. (See Workflow and Case Management requirements).
 - S-27 As specific missing information is corrected, such as taxpayer ID, or period, TIMS must generate an extract file for update to the DCS for all DLNs received from the DCS. This will enable the users to find items on the DCS that were indexed incorrectly.
 - S-28 TIMS must enable the user to establish edit rules that will cause the incoming return to be rejected such that it can never be posted but remains on TIMS until another return for the same period is received. The re-submitted return should post to TIMS with the receive date of the rejected return to give the taxpayer credit for their original filing date. This is for returns that DOR rejects and sends back to the taxpayer for them to correct and resubmit.
 - S-29 For rejected returns, TIMS must have the capability to generate a letter to the taxpayer as to why the return was rejected.
 - S-30 Payments received with rejected returns must be held by TIMS until the return is received and correctly posted or a user manually posts the payment.
 - S-31 If a return or payment is received where the tax period is beyond the account closed date, TIMS must allow the user to define business rules that will either send a letter to the taxpayer and hold the return; or allow the return to post, send a letter, and re-open the account; or allow other actions, based on account type.

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- S-32 The current error resolution process contains a customized interface with DCS such that the image is displayed along with the ITAS screen for correcting the error. This interface is required in the implemented solution.
- S-33 TIMS must provide reports or a means to query for common suspense reasons, number of times the return suspended, number of errors per return, number of returns worked by employee and by vendor or preparer, number of returns by error reason, and other statistics required for management analysis.
- S-34 When a taxpayer files with an incorrect form, the return must suspend because the line items don't match. TIMS must allow the user to migrate the data to the correct form, ensure any associated payment is not lost, and send a letter to the taxpayer.

Posting Requirements

- S-35 As returns and payments are posted to TIMS, TIMS must be able to post them to the correct taxpayer, account, and period by using either the SSN or the ITIN, FEIN or SOS ID, Account ID and tax type, or combinations based on user-defined business rules.
- S-36 TIMS must be able to add missing taxpayer IDs as found on the return to an existing account, based on user-defined business rules. For example, if a tax return contains both FEIN and SOS ID, but TIMS only shows the SOS ID, TIMS must update the taxpayer's record with the FEIN (as long as that FEIN is not already on TIMS for another taxpayer).
- S-37 TIMS must maintain a process date for the originally posted transaction that identifies the date the payment or return was uploaded or entered into TIMS.
- S-38 TIMS must maintain a receive date for the originally posted transaction that identifies the date the Department physically received the payment or return. This date can be different from the process date, and is used to ensure the taxpayer receives proper credit for on time filing regardless of when TIMS is updated as well as to calculate penalty and interest if the taxpayer files late. The date must be able to be received from the source system, or entered online.
- S-39 TIMS must allow the user to define business rules for which addresses on incoming payments and returns update the taxpayer's profile, and which addresses are updated (e.g., primary address vs. refund address). TIMS must then perform address standardization (e.g., FINALIST) and add the new address to the correct address type with an effective date equal to the receive date. Includes US and international addresses.

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- S-40 TIMS must perform a variety of automated activities on the taxpayer's account period as the return and/or payment are posted, based on user-defined business rules using indicators on the returns (e.g., flags or action codes), line items, or other definitions. Activities include but are not limited to adjusting due dates, calculating penalty and interest, calculating discounts, sending correspondence, and creating transactions for Withholding and other tax credits.
- S-41 TIMS must be able to create or update taxpayer profile information from the received payment or return based on user-defined business rules. For example, an individual income tax return can create taxpayer entities on TIMS if they don't exist, while a Corporate Tax return must suspend if a match is not found. The user must be able to define business rules based on account type and form type, at a minimum.
- S-42 TIMS must be able to post returns and payments with a period begin that is in the future, based on defined business rules. For example, for Privilege License TIMS will accept a future period, but for Sales Tax a future period will be an error. If an error exists, TIMS must store all of the information, including the payment, for user correction or other action (e.g., sending a letter to the taxpayer).
- S-43 When a return posts for Individual Income, TIMS must be able to check related accounts for any pre-payments for the period and then move them to the account where the return posted. For example, if the taxpayer made estimated payments as a single person to their single account, then married and filed a joint return, TIMS must be able to identify the payments on the single account and move them to the joint account without user intervention.
- S-44 If a form is defined by business rules as "return only, payment not valid," TIMS must have a way for the users to easily process and correctly post any payments that the taxpayer sends in error. An example is the Withholding annual reconciliation NC3 – the taxpayer often submits a payment with this annual form instead of filing the correct monthly or quarterly amended form.
- S-45 TIMS must be able to extend due dates for specific returns by tax type or location based on information received that the taxpayer is out of the country (e.g., military), or a natural disaster has occurred, or other conditions based on business rules.
- S-46 The user must be able to define certain account types such that posting a payment also creates an equal liability (e.g., Withholding Tax).



- S-47 TIMS must be interfaced to the payment or return source systems such that the user can pull up the source payment or return by “selecting” or “clicking on” the DLN in TIMS.
- S-48 For returns and payments from the Data Capture System (DSC), TIMS must retain the indicator of “verified” to show that the return or payment contained the same information that was already on TIMS (ID, name, address match). (See D-26 under Data Exchange requirements.)
- S-49 TIMS must accept a return or payment received earlier than the account effective date as long as the effective date is within the period. For example, if an account is effective March 15th, and a return is received for the period March 1st – March 31st, the return is valid and should be posted and the effective date should remain at March 15th.

Manual Data Entry Requirements

- S-50 TIMS must provide a means to manually enter returns and payments into TIMS. TIMS must allow entry of deposit date (if a payment) and receive date for a single payment, single return, or groups of payments or returns.
- S-51 The return data entry screens must be formatted as close to the return as possible to provide for easy and efficient data entry. Payment data entry must include all information required to correctly post and certify the payment.
- S-52 TIMS must perform all edits for manually entered payments or returns real time, but allow the data entry user to complete the payment or return as the taxpayer filed it without correcting all the taxpayer errors. If errors exist, the payment or return must then be routed to a suspense user for correction.
- S-53 TIMS must provide a means to route manually entered payments and returns for approval depending on the user ID of who entered the data, or on other criteria as defined by business rules.
- S-54 TIMS must allow the user to enter a DLN in the required format, or automatically generate a DLN upon request in the format specified in the DLN requirements in this section.
- S-55 When a taxpayer ID is entered, TIMS must bring up the name of the taxpayer so the user can verify that the name and ID match.

Payments Requirements

- S-56 For the purposes of Revenue Accounting, all payments uploaded or entered into TIMS, whether or not they have posted, must be available for approval and generation of daily deposit report on the day of upload or entry.
- S-57 The deposit date for payments that is sent from the source system or entered to TIMS must be maintained for the life of the payment transaction. This date can be different from the receive date and process date.
- S-58 Payments uploaded to TIMS without enough information to post must be routed to a specific work queue for correction and posting. The payment must be tracked in the suspense budget code as defined by business rules, and then moved/deposited to the correct tax budget code once that has been determined, with the effective date equal to the date the payment was moved/deposited to the tax budget code. (Suspense budget code amounts are not added into the deposits until the date they are deposited to a tax budget code.)
- S-59 When provided, information identifying which taxpayer made the payment on a joint account (e.g., RCO, Unauthorized Substance) must be stored on TIMS.
- S-60 The interface from EFT must include all available information about the taxpayer to facilitate more efficient user correction when the payment suspends.
- S-61 TIMS must be able to post one payment to multiple taxpayers and accounts or one taxpayer with multiple accounts via two methods. For both, TIMS must ensure that all of the payment is posted – balance the individual posted payments back to the full payment amount.
- a. If identifying information is provided for part or all of the payment, TIMS must automatically post what is identified to the correct accounts and continue to hold that which has not yet been identified.
 - b. If identifying information is not provided for any part of a payment, TIMS must enable the user to pull up the account for the originator of a payment and all related taxpayers and their debts, and then apply the payment to one or more debts. For example, for garnishments TIMS must allow the user to access the employer's account and then pull up all garnishments issued to that employer.
- S-62 TIMS must be able to generate a payment voucher for a user-selected period and/or taxpayer account to which the payment should be posted. For example, if the user performs research and determines the payment should be posted to a Sales and Use tax account in payment of a specific notice, the information

available on TIMS must be printed immediately to a local printer in the correct voucher format to allow the payment to be processed through the DCS.

- S-63 The system must provide a way for a user to extract the information needed to post a payment for import to another system so that a payment can later be associated with the system information and then prepared for deposit and certified.
- S-64 TIMS must perform a reconciliation between TIMS and source system(s) of all payments deposited by source, date, and budget code such that payments cannot be lost or "dropped" without TIMS knowing something is missing.
- S-65 TIMS must allow the user to "approve" a day's deposits such that deposit dates cannot be changed or adjusted once approved.
- S-66 TIMS must allow authorized users to enter a reconciling entry by source, deposit date, and budget code for deposits that were made but could not be transferred to TIMS due to a source system problem. For example, if an OFP system problem causes a delay in the uploading of a day's deposit, the amount deposited must be able to be entered into TIMS to enable approval for that day's processing.
- S-67 For all reconciling entries, the total amount must be reduced as transactions are received from the source system that match the deposit date. The users must receive a daily workflow item for all reconciling entries not equal to zero.
- S-68 TIMS must store uploaded and manually entered payments for tax schedules not processed by TIMS, and include them in the approval but never post them to a taxpayer's account. For example, if it is determined that a tax schedule needs to be maintained on a separate system, payments will still be needed on TIMS for the daily collections report. These payments must remain in a separate area of TIMS and be accessible by users for reporting and analysis unless transferred by a user.
- S-69 Once part of a payment is posted to a taxpayer's account, that payment must be able to then be transferred independently of the other parts of the payment. For example, if part of a payment was posted to a Sales Tax account and part to a Withholding Tax account, the user can transfer the Sales Tax payment without affecting the Withholding Tax payment. However, TIMS must maintain the relationship of the individual payments back to the original total payment regardless of where and how many times they are transferred.
- S-70 If a payment is returned by the bank as a "returned item," TIMS must be able to automatically reverse all parts of the payment, create a workflow item for

tracking and reporting purposes, and send the taxpayer a letter and/or a penalty based on business rules for returned items. The account must then become a tax due account.

S-71 Returned item penalties must be tracked and collected as a separate penalty type on the taxpayer's account.

S-72 The Department currently has business rules regarding payment type (e.g., estimated payment, bill payment, payment with return) that designate how the payment is handled (e.g., refunded immediately if account is overpaid, or held until a liability is processed). TIMS must allow the Department to establish similar business rules by payment type. Payment types include but are not limited to:

- a. Estimated payment
- b. Payment for original liability
- c. Payment for amended or adjusted liability
- d. Payment with extension request
- e. Bill payment
- f. Case payment
- g. Voucher payment
- h. Period payment
- i. Garnishment payment

The following requirements are preferred or future requirements of the Department:

SF-1 TIMS should be able to store the payment source, e.g., taxpayer, employer, 3rd party, etc.

SF-2 TIMS should be able to validate the incoming return or payment with SSA, DMV, or other external sources if the taxpayer is not yet on TIMS.

C.4 Financial Transactions

Overview

The current system stores and tracks all of a taxpayer's financial activity by account period within an account, within the entity, from the creation of the tax period through all subsequent payments, adjustments, and additional filings that relate to that period. Most notices are generated at the tax period level, most online user activity is performed in tax periods, and most workflow items and cases are tied to periods as well. In short, the account period and associated activity is what drives most of the other processing (correspondence, workflow items, etc.).

These requirements focus on issues and constraints with the current system. While some level of requirements are included for basic financial processing, the Vendor is required to deliver a system that meets or exceeds the capabilities of the current system as related to generating, storing and processing financial transactions.

Establishing the Period Requirements

- F-1 TIMS must be able to establish account periods in all of the following ways:
 - a. Posting a return or payment (see Submissions process).
 - b. Manual entry of activity by a user (e.g., audit account period)
 - c. Automated entry of information from an external source to generate a liability (e.g., nonfiler process)
 - d. Automated creation of a liability or tax period based on business rules and other system information (e.g., delinquency, payment but no return, etc.)
- F-2 Some accounts require flexible account periods (e.g., one day or one year, and/or starting and ending on any day of the month), while for others only specific periods are valid (e.g., calendar monthly or calendar quarterly). TIMS must enable the users to define account period business rules by account.
- F-3 Under specific conditions, TIMS must allow account periods to be deleted by an authorized user. An audit trail must be maintained.
- F-4 TIMS must prevent overlapping account periods, but allow gaps between periods (delinquency process will handle the gaps – see Collections requirements). For example, if a period is on TIMS for Bob's Produce Corporate Tax of 1/1/07 through 2/25/07, a period beginning or ending any time within that period is not valid and activity should be suspended for correction. But a period of 7/1/07 –

9/30/07 is valid and should be created. The delinquency process must address the filing gap of 2/26/07 through 6/30/07.

- F-5 If returns or payments are received for a different filing frequency than on TIMS for that account, TIMS must accept the return and allow it to post to the correct period using period begin date or period end date (as defined by business rules), and provide the capability to send the taxpayer a letter with the correct frequency within established business rules.
- F-6 TIMS must enable a user to easily “combine” or otherwise adjust periods when duplicates are found. For example, a taxpayer has filed under ITIN but DOR assesses the taxpayer under SSN as a nonfiler based on information received from the IRS. The error is often discovered when the taxpayer calls – DOR then realizes they are the same taxpayer so the duplicate records need to be corrected.
- F-7 The history of activity in the account period must be easily viewable such that a user can clearly understand and explain to a taxpayer what has happened on their account.
- F-8 Unless defined as a refund account, each period must contain one or more original liability amounts, by tax schedule. There can be more than one tax schedule in an account period, and for each schedule the original liability and all subsequent activity, including tax credits, adjustments, penalty, interest, and fee calculations, must be stored and tracked separately yet combined on notices and for user review online. Currently, the Department processes the following multiple schedules on one return, but more may be added by future legislative or forms changes:
- a. Corporate tax – one form that includes the Franchise and Income tax schedules. Currently ITAS stores the tax schedules as separate accounts and performs cumbersome and delayed transfers from one schedule to another as returns and payments are posted and adjustments are made. Separate notices are also issued where one is required.
 - b. Individual Income – a line for “consumer use tax” is included on the Individual Income tax form, and posted to the Individual Income tax account. All current reporting is cumbersome and manual, so TIMS must be able to separately identify the consumer use tax within the period.
- F-9 For specific accounts (as defined by business rules), if the liability for a period is not yet established but the due date for filing for that period has passed by more than “x” days as defined by business rules, the taxpayer must be delinquent in

filing a return. See Collections requirements for details on delinquency processing.

- F-10 When a return is received for a missing period (e.g., returns for the periods before and after that period have been filed), TIMS must process any offsets and credit forwards to the correct period based on business rules. (Note: The current system incorrectly forwards credits to the first open period vs. the next period.)

Determining Balance Due Requirements

- F-11 TIMS must have the capability to store tax rates by form, tax schedule, period, county or any combination thereof. Each rate must have an effective begin and end date.
- F-12 TIMS must allow the user to define multiple penalty, interest, and fee calculations by account, penalty/interest/fee type, tax schedule, and effective date. TIMS must be able to apply the Department's penalty policy, including rules for which penalties are eligible for waiver and under what conditions.
- F-13 TIMS must allow the user to define penalties as "can accrue interest" or "no interest applicable."
- F-14 TIMS must allow the user to define the effective begin and end dates for rates, penalties, and interest as "for tax periods that fall within the effective begin and end date" (e.g., if the rate is effective 1/1/06 – 12/31/06, any tax periods that fall within that date are charged that rate regardless of when the return is filed); or "for activity that occurs between the effective begin and end date" (e.g., if the rate is effective 1/1/06 – 12/31/06, all returns filed during that period are charged that rate regardless of what period they are reporting).
- F-15 TIMS must be able to "grandfather" old rates based on business rules by form or tax schedule such that both the old and new rates appear on the form and in the system for the taxpayer to file under either rate. For example, if the Sales Tax rate is 6% and a company establishes a long-term contract using that 6% rate, they can continue to pay 6% even if the rate changes to 7%.
- F-16 Each time an original liability is created or subsequently adjusted, TIMS must calculate or adjust the appropriate penalties, interest, and fees. Each amount calculated must be separately stored, tracked, viewable, and adjustable.
- F-17 Payments and credits received must reduce the outstanding balance as they are applied to the tax, interest, penalties, or fees based on payment application business rules.

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- F-18 Any payments or credits that are posted to the tax period before the original liability is received must be applied to that liability to create an accurate taxpayer balance before issuing assessments.
- F-19 To determine if a return is timely filed, the TIMS receive date for the return must be compared to the due date (or grace date) as defined for the account and specific period.
- F-20 TIMS must recognize grace dates (as defined by account, document source, and period date) when determining if a return is filed or a payment is made on time. For example, if an individual income tax has a grace date five (5) days after the due date to allow for mail delivery time, and it is posted to TIMS with a receive date four (4) days after the due date but one (1) day before the grace date, TIMS must consider the return to be timely filed and therefore not calculate any penalties or interest.
- F-21 If the taxpayer calculates and reports penalty and interest amounts, the taxpayer's amounts should be accepted and stored in addition to storing TIMS calculated amounts (calculated even if the P&I is received in the grace period). If the taxpayer calculates a different penalty and interest amount than TIMS, any overpayment or underpayment that occurs should only be refunded or billed if it exceeds user-defined tolerances for penalty and interest variances.
- F-22 TIMS must maintain a calendar of weekends and user-defined holidays, and not allow any due dates or grace dates to fall on a holiday or weekend but automatically set them to the next business day.
- F-23 The user must be able to set up holidays as "standard holiday," "bank holiday only," or "DOR holiday only."
- F-24 Due dates and grace dates need to be flexible and generic such that specific dates do not need to be maintained for every period, but rather business rules established such as "due 15 days after the period end date, with grace date five (5) days later.": Dates need to be maintainable by account, return source (e.g., online vs. paper), address of the taxpayer (for exceptions) and effective date / end date to support law and statute requirements.
- F-25 Due dates and grace dates exceptions need to be easily handled by user updates to business rules. For example, if there is a hurricane that impacts the counties of eastern North Carolina, users need to be able to enter due date extensions for taxpayers located only in those counties. TIMS must then use the revised due dates when determining if the taxpayer has timely filed their return.

- F-26 Users with correct authorization must be able to override TIMS calculated penalty or fee amount.
- F-27 TIMS must check related entities for actual payments to verify the amounts entered by the taxpayer on the return as prepayments. For example, the prepayments on a partnership return must be verified with the individual partners.
- F-28 TIMS must check for activity in suspense, either returns or payments, and not continue to calculate the liability until all activity for the taxpayer for that account period has been posted.
- F-29 TIMS must provide the capability for the user to forecast penalty and interest amounts based on entering a future date.
- F-30 TIMS must be able to correctly handle dollars and cents for returns that do not have places for cents to be entered, but the taxpayer files and pays cents.

Overpaid Periods Requirements

- F-31 If a payment is received that creates an overpaid period, TIMS must evaluate business rules to determine if the payment should be refunded, a workflow item created, or no action needed. The rules include but are not limited to payment type, account status (e.g., original liability not found), and account.
- F-32 TIMS must allow the user to define tolerances by tax schedule to mark overpayments where no additional action is required, and allow override by an authorized user. For example, don't refund an individual income tax refund if it's less than \$1 unless the taxpayer specifically requests it (override), but instead just close the account period and write off the amount.
- F-33 If an overpayment is created for a multi-period audit (e.g., 1/1/2005 – 12/31/2007), TIMS must check other related periods for that account (e.g., any period between 1/1/2005 and 12/31/2007) and apply the money to those balances before refunding it to the taxpayer.
- F-34 If a taxpayer pays the exact same amount twice and causes an overpayment in the period for that amount, TIMS must have the capability to automatically process the overpayment to offset per business rules (e.g., by tax type) or create a refund.
- F-35 If an overpayment is created for a garnishment payment, TIMS must not allow that overpayment to be offset to an external agency. However, the overpayment can be offset to another account within DOR if business rules have been defined.

- F-36 If a taxpayer has requested a refund but no refund is generated due to a return error or missing payments, TIMS must send a notice to the taxpayer explaining why they did not get a refund.
- F-37 For account periods specified as "refund only" (e.g., Sales Tax refund), TIMS must check for a refund amount in the "regular" period(s) for the same account (e.g., sales) before issuing a refund.
- F-38 When an overpayment is created on a "refund only" account, TIMS must process the refund without requiring a liability in the period.
- F-39 If a taxpayer is owed multiple refunds for the same account and tax period (e.g., multiple liabilities that have been overpaid), TIMS must generate one refund check for the total refund. The check can possibly contain multiple interest effective dates and interest rates.
- F-40 If an overpayment occurs on an Individual Income joint account, TIMS must check to see if ALL of the overpayment is available for refunding or only part due to injured spouse or other business rules.
- F-41 If an overpayment occurs on a joint account where the payment that caused the overpayment was identified as belonging to a specific taxpayer (e.g., USUB), TIMS must refund the money to the taxpayer who made the overpayment.
- F-42 TIMS must be able to identify specific refund types (e.g., incentive claims for refund) as not valid for receiving interest.
- F-43 When an overpayment is created by a specific payment type that is defined by business rules to be invalid for an account with no liability or a zero balance (e.g., bill payment), TIMS must check for related accounts or pend the item for user approval before refunding the money. In most cases, the payment is posted to the incorrect account.
- F-44 If an overpayment is created on a Withholding account due to an annual reconciliation return (NC3) reporting less Withholding than the Department actually collected during the year, by period, and the Department cannot identify which period is in error, the system must be able to pend the refund and optionally send a notice to the taxpayer to identify which period is overpaid and substantiate the refund.
- F-45 When a refund check is cancelled, the overpaid amount must not generate another refund before "x" days has passed (user defined time period) so that the user has time to make the correct adjustments.

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- F-46 When a direct deposit is cancelled, TIMS must automatically generate a paper refund check.
 - F-47 When a stop payment has been approved for a refund check, a new check must automatically be issued or the amount should be held based on the reason code entered for the stop payment.
 - F-48 Sometimes part of an overpayment is offset to another schedule and gets interest applied based on that tax schedule's overpayment interest rules. When the offset is reversed, TIMS must move the total amount back to the originating period and recalculate the interest.
 - F-49 If an overpayment is transferred to another tax period and then refunded, TIMS must accurately calculate the refund interest based on the date the original overpayment was created, and the refund interest rules of the refunding account (vs. the originating account).
 - F-50 If an overpayment is to be refunded but the transaction that caused the overpayment was out of statute, the refund must be denied and the appropriate notice issued.
 - F-51 The user must be able to establish business rules for review of all refunds over a certain dollar amount as defined by tax schedule.
 - F-52 The current interest on an overpayment must be viewable online whether or not the refund check has been issued.
 - F-53 TIMS must track the status of all refunds.
 - F-54 TIMS must have the capability to run an escheat process for all refunds over a specific age that have not yet been paid, including sending notices to the taxpayers 60-120 days before the process is run, marking the checks as "escheated," and creating an extract and report for the Treasurer's office in their required format.
 - F-55 TIMS must be able to send refunds generated for deceased taxpayers to any related entity on TIMS, including a court, based on business rules or user override.
 - F-56 The users must be able to define business rules for offset of an overpayment to another tax schedule. Rules include but are not limited to priority by tax schedule and date of the debt.



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- F-57 Overpayments must not be available for offset until a refund check is ready to be issued. For example, if an overpayment is created by a payment that posted before an amended adjustment could be made, the overpayment must not be offset.
- F-58 The ELF system currently sends a “hold indicator” to ITAS to delay the issuance of refund checks for certain overpayments for a specific period of time. TIMS must allow the user to set the number of days to delay as a business rule, receive and store the indicator from ELF, and not issue the refund until the set number of days has passed.
- F-59 TIMS must have the capability to flag for review or send a notice for any overpaid periods that require a liability transaction but none is found (i.e., not a “refund only” account), and have had no activity for a user-defined time period by account.
- F-60 TIMS must be able to issue refund checks on paper or via direct deposit.
- F-61 When a direct deposit has been made to the incorrect bank account and the recipient spends the money, TIMS must be able to create an entity for the recipient (if not already on the system) and issue an assessment to get the money back.
- F-62 For direct deposit, TIMS must be able to split one refund into multiple bank accounts.
- F-63 Certain overpayments caused by tax credits cannot be refunded but only applied to any liability for the period. Other tax credits are refundable. The user must be able to define both refundable and non-refundable tax credits by form and account.
- F-64 TIMS must not allow a non-refundable tax credit to create a negative liability, but instead should zero out the account.
- F-65 TIMS must automatically prevent offsets and setoffs from occurring for specific taxpayer statuses as defined by the user, including but not limited to bankruptcy.
- F-66 TIMS must prevent refunds from being issued to fraudulent taxpayers, taxpayers with fraudulent preparers, or tax protestors based on user-defined criteria.

Underpaid Periods Requirements

- F-67 If an amended return is received that creates an underpaid period, TIMS must evaluate business rules to determine if the additional liability should be assessed,

held until a payment is posted, a workflow item should be created, or no action is needed. The rules include but are not limited to checking suspense for payments, account status (e.g., original liability not found), and account.

- F-68 TIMS must allow the user to define tolerances by tax schedule to mark underpayments where no additional action is required. For example, don't bill a Sales Tax account if the amount due is less than \$10 but instead just close the account period.
- F-69 TIMS must not issue assessments for periods that are out of statute, as defined by business rules by tax schedule.
- F-70 TIMS must allow the users to enter counties or ranges of zip codes for which assessments will be automatically held due to special circumstances, such as a hurricane that affects all of eastern North Carolina. TIMS must automatically release the assessments after the user-specified time period has passed.
- F-71 TIMS must allow the users to set up a payment plan for any underpaid account regardless of whether or not the account has been assessed.
- F-72 If a taxpayer makes a partial payment for a liability, TIMS must be able to generate a notice with an updated balance real time or in batch mode.
- F-73 Once an underpaid account has been final billed, an accounts receivable amount must be established and the collection process must begin. Refer to the Collections requirements for additional details on collecting underpaid accounts.

Adjustments Requirements

- F-74 TIMS must have adjustment functionality that is logical and relatively easy to use. The history of adjustments should be clear and easy to follow.
- F-75 To protect data integrity, TIMS must automatically recalculate the return based on the established edit and validation rules for the return every time a line item on the return is adjusted.
- F-76 TIMS must prevent adjustments from resulting in negative collections.
- F-77 When a liability is transferred, TIMS must transfer all related activity with the liability, including but not limited to payments, refunds, and adjustments.
- F-78 TIMS must allow all adjustments to be made online real-time.
- F-79 TIMS must allow the user to change the receive date within guidelines as defined by business rules, and then recalculate penalty and interest accordingly.

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- F-80 TIMS must allow authorized users to view, update, adjust, abate, waive, settle, write off, or cancel billings at any time.
- F-81 An account period can contain one or more of the following liability adjustment types, at a minimum, and in any combination. Each adjustment must be clearly identifiable. All activity to pay, offset, refund, or adjust the resulting liability or overpayment must be tracked separately for each one.
- a. Amended return(s)
 - b. Audit adjustment(s)
 - c. RAR(s)
 - d. CP2000(s)
 - e. FTI match with IRS
 - f. IMF non-filer
 - g. NC3 assessment
 - h. Abatement
 - i. OIC Settlement
 - j. Bankruptcy settlement
 - k. Receive date adjustment
 - l. Write-off
 - m. Penalty, Interest, and Fees
- F-82 TIMS must track liability write-offs such that they do not appear in the Accounts Receivable balance, but the written-off amount is still shown on the taxpayer's record as a balance due.
- F-83 An account period can contain one or more of the following payment types, at a minimum, each of which must be correctly matched to the corresponding liability based on information entered with the payment and pre-defined business rules by payment type and/or account:
- a. Estimated payment
 - b. Payment for original liability
 - c. Payment for amended or adjusted liability
 - d. Payment with extension request
 - e. Bill payment
 - f. Case payment
 - g. Voucher payment
 - h. Period payment
 - i. Garnishment payment
- F-84 TIMS must enable users to view the expected results of their adjustments before posting changes to the account.

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- F-85 If a penalty is set up as “valid for waiver,” the penalties must be able to be waived by a user with a valid reason code. Penalty waiver history must be maintained for all tax schedules.
- F-86 The original receive date of the payment must be maintained as it is transferred. This date is used to determine interest due as well as timely payment of a liability.
- F-87 TIMS must track each adjustment to increase liability that occurs after the previous liability has been assessed as a separate liability for legal purposes. For example, the period may show that part of the overall balance has been final billed and, therefore, is subject to collection proceedings while another part of the balance has not yet been assessed. However, the user viewing the account online and the notice to the taxpayer must clearly identify the individual amounts as well as the total amount due for the period, including the appropriate assessment stage for each part of the balance.
- F-88 TIMS must provide a method to easily and accurately transfer payments and other transactions from one account period to another, including across taxpayers and accounts. TIMS must require minimal data entry from the user by providing a means to select the payment to be transferred and then select the destination.
- F-89 Adjustments due to penalty waivers must never cause the penalty to be a negative amount.
- F-90 TIMS must allow the user to adjust refund interest before the check is issued, but only with specific reason codes.
- F-91 The system must prevent the users from manually entering an amount in a calculated field.
- F-92 If a tax credit is disallowed, TIMS must not show or report the disallowed credit as a negative payment or collection.
- F-93 The system must allow the users to “transfer all” activity from one period to create a new period under the same taxpayer or a different taxpayer. The users must be able to indicate if the new period should restart billing timetables or leave all transactions as they are.
- F-94 If a user adjusts an account that has been suppressed, TIMS must display a message so the user can manually release the suppression if appropriate.



- F-95 TIMS must be able to automatically assess the taxpayer for returned items and any associated penalties at any stage in the process, regardless of any tolerances established for that account.
- F-96 When an account is adjusted, TIMS must be able to generate one notice that shows all adjustments vs. a separate notice for each adjustment.
- F-97 TIMS must allow the user to selectively view or hide transactions by type, date, or other criteria while viewing an account.

The following requirements are preferred or future requirements of the Department:

- FF-1 TIMS should provide the capability to issue combined refund checks for multiple tax schedules and multiple periods.

C.5 Audit & Examination

Overview

The Audit and Examination function in the Department includes all activities related to auditing taxpayers for compliance with North Carolina tax laws. The auditor uses source documents and all available system data as a starting point, then compares the data to taxpayer's books and records to determine taxpayer liability. If the calculated liability does not match what the taxpayer filed, adjustments are made. The auditors also use external data sources to create and adjust liabilities (e.g., IRS data).

To support this function, the desired features of TIMS include but are not limited to selecting taxpayers for audit based on specific criteria, assigning them to DOR employees, tracking the progress of the audits by project and employee, making the audit adjustments, and tracking audit results by project and employee. Also desired are efficient user-definable automated processes to match and upload data received from external sources to create a taxpayer liability.

Limitations with the current system are:

- Audit selection capability is extremely limited. Users cannot query ITAS with the selection criteria they desire to get to the right taxpayers.
- Results cannot be tracked by employee, and tracking by project is limited.
- All employee productivity statistics must be manually maintained outside ITAS.
- When data from external sources is received, users cannot query or match or upload data to ITAS without IT assistance.

Requirements

Many of these requirements may also be included with more detail in Financial Transactions, Data Exchange, or Workflow and Case Management. They are listed here as related to the Audit and Examinations function to provide a different context and more clarity on how data from TIMS is used by the Department for Audit and Examination.

- A-1 Users must be able to develop and maintain audit selection criteria on TIMS, including but not limited to selecting by tax type, gross receipts, income, business location, business classification (e.g., NAICS code), presence or absence of specific return line items, previous audit history, previous compliance history, or any combination of the above.
- A-2 TIMS must be able to analyze historical information, or prepare such information to be analyzed, for such purposes as:

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- a. Predicting non-compliance to assist management in developing and refining compliance initiatives
 - b. Evaluating the effectiveness of the Department's audit initiatives based on amount and number of assessments and collections, and time allocated to the audit task.
- A-3 Supervisors must be able to assign the selected taxpayers to a project for tracking and reporting by that project. Multiple selections can be included in one project.
- A-4 Supervisors must be able to assign the selected taxpayers to employees or units based on user-defined business rules, and track the progress of the audit via workflow.
- A-5 TIMS must allow the user to manually select a taxpayer for audit and automatically create the appropriate notes and workflow items. The user must be able to select multiple periods and tax types without needing to enter each one individually.
- A-6 TIMS must allow a user to "lock" a taxpayer's account that is under audit so that no other users can make adjustments to the account once the audit has started.
- A-7 TIMS must enable the user to extract and download data from TIMS into a spreadsheet to begin an audit.
- A-8 When an audit is completed, the user must be able to upload summary financial data for TIMS to make adjustments.
- A-9 TIMS must provide a means to upload potential collection sources discovered while doing an audit (e.g., employer, bank, etc.) with the results of the audit.
- A-10 When an auditor selects a taxpayer for audit, TIMS must automatically include all delinquent tax periods within the selected audit period.
- A-11 TIMS must be able to generate reports on audit status, audit results (dollars and date assessed, dollars and date collected) by employee and project.
- A-12 Users must be able to develop match criteria for comparing external sources to TIMS. Fields to be matched include but are not limited to taxpayer ID, taxpayer name, return line item values, tax period, and tax type.
- A-13 Users must be able to define business rules for automatically updating a taxpayer's financial data from an external data source (e.g., CP2000, RAR,

IMF/IRTF, NC3, 1099, etc.), including creating and adjusting liabilities, and creating any corresponding note and workflow items.

- A-14 Users must be able to create a tax period and a liability in the period without posting a tax return or a substitute return document. TIMS must store the source of the liability (e.g., IRS nonfiler, ESC wage data) and provide the capability to flag the account manually or automatically via business rules to indicate if a subsequently filed taxpayer return will override the Department-created assessment.
- A-15 Users must be able to generate an assessment on demand, real time.
- A-16 When new information is received for a period that has been archived, the users must be able to bring back the period to make the adjustment.
- A-17 For motor fuels, cigarette, and alcohol tax schedules, the users must be able to set up business rules to compare tax return data from related taxpayers (e.g., manufacturers and distributors) and generate reports for audit and adjustment.
- A-18 For some tax schedules, the system must be able to assess a taxpayer who has not filed by using data within the tax system to determine the tax liability. For example, using set parameters and calculations, the users must be able to assess the taxpayer based on how many decals have been issued, or assess the taxpayer based on "average w/h paid over the past year."
- A-19 TIMS must compare refund returns for alcohol and tobacco with specific line items of returns previously filed to validate the refund requested amount. For example, when a taxpayer requests a refund for stale or damaged products, they must also have reported those products as stale or damaged on the tax return for that period.
- A-20 The user must be able to manually apply one payment to multiple taxpayers and/or periods that is the result of a settlement and is received from a source other than the taxpayer.
- A-21 TIMS must allow authorized users to define penalty waiver rules by penalty type per the DOR penalty policy, and then automatically waive the penalties correctly when a user enters a taxpayer request for a penalty waiver.
- A-22 TIMS must allow the user to define specific criteria related to compliance (e.g., Withholding annual NC3 return does not match payments made during the year). TIMS must create a workflow item if the criteria are not met.



- A-23 TIMS must provide a means for the user to enter the ID or address of a taxpayer who is a questionable filer or the PTIN, name, or address of a questionable preparer, such that all transactions for the taxpayer pend for review.
- A-24 When a new liability is entered or an existing liability is updated (e.g., credits disallowed), TIMS must automatically generate the correct interest, penalty, and fee amounts.
- A-25 In addition to identifying specific audit projects, the user must be able to identify all liabilities that were created or increased, and assessments generated, based on Federal data.
- A-26 TIMS must allow an authorized user to log and track information received from the IRS Transcript Delivery System (TDS) that is used to create assessments.
- A-27 TIMS must be able to display and/or report all activity for a selected project.
- A-28 TIMS must ensure that if someone manually pends something for review, either a refund or assessment, another user cannot approve the transaction unless they are an authorized supervisor. For example, if an auditor pends a refund to investigate potential fraud, another employee should not be able to release the refund.
- A-29 The user must be able to select returns for a specific tax period that meet certain criteria (e.g., criteria to correct areas of non-compliance such as line 7 = 0), and automatically create adjustments for the returns using other available line item information.
- A-30 When an assessment has been created on TIMS without the filing of a tax return, any return subsequently filed by the taxpayer must flag the initial assessment, create a workflow item for the auditor, and prevent the return from posting until resolved.
- A-31 The difference between liabilities created by the Department and those created by the filing of a taxpayer return must be easily identifiable.
- A-32 TIMS must be able to identify assessments that were created based on Federal information for the purposes of disclosure and compliance with IRS Publication 1075.
- A-33 For adjustments made in TIMS, TIMS must be able to automatically populate calculated fields based on user input and defined business rules.

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- A-34 TIMS must provide the capability for the users to store, maintain, and assign an inventory of potential audit candidates.
 - A-35 TIMS must allow users to enter an audit type, or generate the type based on business rules, and then track and report taxpayer data by the audit type.
 - A-36 TIMS must keep a historical record of all major audit or tax issues (identified by audit reason codes) with the number of occurrences, amount assessed, and individual assessments if possible. For example, management may ask how many assessments were made to increase NC taxable income for companies who claimed they did not have nexus in NC when they actually did have nexus.
 - A-37 TIMS must provide the following functionality to assist the Discovery unit:
 - a. Ability to search by preparer, direct deposit account, and any other information available related to fraudulent preparers or taxpayers
 - b. Ability to create workflow items to pend refunds for any criteria related to suspected fraudulent taxpayers or preparers, including those who have the same address.
 - c. Ability to report on taxpayer flag that indicates tax protestor, questionable filer, etc.

The following requirements are preferred or future requirements of the Department:

- AF-1 TIMS should be able to link to the Department's reference material including but not limited to procedures, tax law, administrative rules, hearing decisions, bulletins, and directives.
- AF-2 TIMS should enable users to scan in documents and relate the documents to a specific taxpayer's account.
- AF-3 TIMS should track the amount of time the user spends making a specific adjustment for productivity reporting purposes.
- AF-4 TIMS should be able to show a "90-day calendar of activities" for all divisions and units to show what type of audit, collections, posting, etc. are occurring and planned.
- AF-5 TIMS should have audit scoring capability that prioritizes non-compliant taxpayers.

C.6 Collections

Overview

The Collections function in the Department includes all activities related to collecting delinquent accounts and bringing delinquent taxpayers into compliance, including creating, tracking, and monitoring bankruptcy cases. Delinquent accounts include all accounts that have been final billed (a legally collectible receivable to the Department where the taxpayer has been given due process and has not responded) and all accounts where the taxpayer was due to file a tax return but has not yet filed. The Collection Division is responsible for the Department's Accounts Receivable and the administration of the Collection Assistance Fee. The Department uses a variety of collection tools, e.g., garnishments, to collect the debt.

To support this function, the desired features of TIMS include but are not limited to selecting the correct tool to collect a taxpayer's debt (e.g., garnishment, letters, phone calls) based on specific criteria, assigning collection activities to DOR divisions, units, or employees, tracking the progress of the collections by project and divisions, units, and employee, making write-off and other adjustments to balances owed, and tracking collection results by project and employee. Also desired are efficient user-definable automated processes to match and upload data received from external sources to establish related entities and sources of collection.

Limitations with the current system are:

- Collections tools in ITAS are extremely limited. Users must work outside ITAS to manually garnish bank accounts and match other collection sources to debts on ITAS.
- Results cannot be tracked by employee, and tracking by project is limited.
- All employee productivity statistics must be manually maintained outside ITAS.
- When data from external sources is received, users cannot query or match or upload data to ITAS without IT assistance.
- DOR is unable to consolidate certain cases due to system limitations.
- Collection cases that close when the account reaches a zero balance are not automatically re-opened if the balance changes due to write-off reversal or returned item.
- If a taxpayer who pays a DOR employee directly requires a receipt, the employees must issue and track it manually.

Requirements

Many of these requirements may also be included with more detail in Financial Transactions, Data Exchange, or Workflow and Case Management. They are listed here

as related to the Collections function to provide a different context and more clarity on how data from TIMS is used by the Department for Collections.

- C-1 TIMS must be capable of performing collection activities in a manner that meets the legal requirements set out in North Carolina law for collecting tax debts. For example, legal activity requires a final assessment, but North Carolina has an exception in the law for jeopardy assessments.
- C-2 Some of the tools used for collection of debt that must be fully or partially automated in TIMS are:
- a. Bonds (see Exceptions requirements)
 - b. Wage garnishments – establish and validate a relationship between the taxpayer and their employer, send a notice to the employer to garnish the taxpayer’s wages, and send a copy of the notice to the taxpayer.
 - c. Bank and other non-wage garnishments – establish and validate a relationship between the taxpayer and payor, store the taxpayer’s bank account number, and send a garnishment to the payor to levy up to 100% of the funds. A copy of the garnishment is also sent to the taxpayer.
 - d. Warrants – issue notices to be served by the sheriff or DOR personnel to seize and sell the taxpayer’s real or personal property .
 - e. Predictive Dialer – automatically dial the taxpayer and route the call to an employee for collecting the debt.
 - f. Certificate of Tax Liability (CTL) – file a legal notice in the office of the clerk of superior court which places a lien against any real or personal property owned by the taxpayer. The CTL stays in effect for up to ten (10) years or until the liability has been satisfied.
 - g. State and Federal offsets – apply a taxpayer’s refund from another tax schedule, another period, or from the IRS to an outstanding debt.
 - h. Suspending corporate charters – a statutory procedure used when a corporation fails to file and pay all taxes due. The Department requests the Secretary of State’s office to suspend the charter of the corporation.
 - i. Revoking licenses – send a written notice to a taxpayer, that the Department is requesting a hearing to revoke the taxpayer’s retail or wholesale license.

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- j. Payment agreements – allow the taxpayer to pay the debt over a specified time period
 - k. Sending notices and letters – use a variety of form letters created in Microsoft Word and system created notices to assist in collection efforts.
 - l. Issuing jeopardy assessments – issue a proposed assessment to a taxpayer who meets specific criteria before the defined time frame has passed.
 - m. Transfer of Liability to Responsible Corporate Officers (RCO) – an administrative procedure whereby the Department transfers the liability of unpaid tax of a corporation to the responsible officers of the corporation.
 - n. Deputy assessments – an assessment of tax by a departmental employee for a period that has not been filed by a taxpayer but collection of tax due is not deemed to be in Jeopardy.
 - o. Bankruptcy – a court ordered means to facilitate the collection of debt, distribute the debtor's assets among creditors and provide debtors with the ability for a new start.
 - p. Successor liability – a buyer can be held liable for taxes owed by the seller if the seller does not withhold a sufficient amount to cover unpaid taxes at the time of the sale.
 - q. Motor Carrier decals – prevent the issuing of decals for a new period if past periods remain unpaid
 - r. External data sources – use system capability to match DOR data with data received from external sources and upload matching data, or capability to extract and download DOR data for sending to an external source
- C-3 TIMS must be able to generate all required accounts receivable summary reports by taxpayer, account type, date of debt, and other criteria.
- C-4 TIMS must generate a notice in specific instances based on user-defined business rules when a taxpayer has paid an account in full.
- C-5 TIMS must be able to identify when an accelerated Withholding taxpayer is delinquent on a payment without waiting for the quarterly return to be filed, based on user defined business rules.

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- C-6 TIMS must be able to calculate and apply timely payment discounts by account type as payments are received.
 - C-7 TIMS must be able to capture, update, and store bank account information from other online DOR sources for performing automated bank garnishments.
 - C-8 TIMS must allow the users to consolidate all outstanding debt (including proposed assessments and accounts not yet assessed) for one taxpayer into one payment agreement, one notice, and one screen for online viewing.
 - C-9 TIMS must be able to track and display collections activity at the tax period, account type, and taxpayer levels.
 - C-10 TIMS must be able to track and report collections by date collection was made and stage of the billing cycle (e.g., proposed assessment, fee notice, final bill, etc.).
 - C-11 TIMS must allow the user to consolidate many workflow items into one such that all future activity is tracked to the new single workflow item.
 - C-12 TIMS must be able to identify how much of a payment was applied to tax, interest, penalty, and fees, for both online viewing and reporting purposes.
 - C-13 When consolidating separate cases (workflow items) into one, TIMS must separately maintain the identity of any case/debt that has been sent to the IRS for refund offset and allow that case/debt to be consolidated.
 - C-14 TIMS must allow collections workflow items to be routed based on but not limited to taxpayer total balance owed, previous collection activity, amount of lapsed time in a particular status or at a specific workflow location, existence of delinquently filed periods, existence of specific workflow item types (e.g., bankruptcy), existence of payment plans, and any combination of the above.
 - C-15 TIMS must include capability for a user to manually bill identified delinquent taxpayers either in groups (multiple taxpayers matching a given criteria) or individually.
 - C-16 When an assessment has been created on TIMS without the filing of a tax return, and an earlier out-of-business date is subsequently posted on TIMS, TIMS must reverse all assessments for periods after the out-of-business date unless the period is flagged to stop that from happening. If flagged, a workflow item should be created and the account period should remain as is.

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- C-17 TIMS must issue a delinquency notice to the taxpayer after a specific time period when a return has not been filed on an open account, based on user defined business rules by account and tax type, including checking suspense for returns not yet posted before issuing the notice.
- C-18 TIMS must provide a Corporate delinquency and suspension process based on user-defined business rules, including but not limited to the following:
- a. Issue delinquent notices for taxpayers who are delinquent according to pre-defined business rules,
 - b. Identify corporations which should have their charters suspended for not filing and not responding to the delinquency notice, or allow users to manually designate corporations to be suspended,
 - c. Generate a file of corporations to be suspended for the SOS,
 - d. Mark the corporation as suspended,
 - e. Generate correspondence to the taxpayer,
 - f. Automatically reinstate the taxpayer and charge a fee when certain conditions have been met (e.g., all returns filed and paid up to date),
 - g. Send correspondence to the SOS for corporations that have been reinstated,
 - h. Allow the user to easily view the suspension history for a taxpayer.
- C-19 TIMS must be able to issue CTLs for joint accounts, in joint names, or issue separate CTL's for one or more of the taxpayers on the joint account.
- C-20 TIMS must be able to issue one garnishment for a taxpayer that includes debts from multiple tax periods and account types. If new debt is found, TIMS must be able to either update the existing garnishment and issue a revision, or create a new garnishment for the new activity only.
- C-21 All activity for garnishments issued must be tracked, including but not limited to amount received, date received, where applied, and current balance.
- C-22 When a wage garnishment issued to one taxpayer with a joint liability is satisfied and an additional payment comes in from the employer, the payment must either be refunded to the one taxpayer (not joint names) or ONLY applied to other debts for the joint entity or the garnished taxpayer (not to other debts for the other joint taxpayer).

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- C-23 For payment agreements, TIMS must be able to calculate and display a payment amortization schedule based on amount of time and amount of debt.
 - C-24 TIMS must enable the user to include debt on a payment agreement that has not yet been assessed, or final billed. For example, if a taxpayer files a return and requests a payment agreement, TIMS must be able to immediately create a payment agreement without waiting for the proposed assessment to be generated.
 - C-25 When a payment agreement is established, TIMS must allow the user to enter a down payment amount that was received but not yet posted. If the payment is not posted in "x" days, the payment agreement should revert back to the original amount. The system must ensure that when the down payment is posted it does not reduce the balance and thereby get credited twice.
 - C-26 If a payment received for a payment agreement is returned for insufficient funds or other reasons, TIMS must automatically update the payment agreement balance (including penalty), place the payment agreement in default, and create a note using the correct reason code.
 - C-27 If a taxpayer has a payment agreement, TIMS must issue a different final bill with language about the payment agreement.
 - C-28 TIMS must automatically perform a liability settlement on account periods included on a CTL once the CTL has been docketed for a specified period of time based on business rules.
 - C-29 TIMS must allow a user to select an account to be paid, enter the paid amount and payment method (cash, check, etc.), and then automatically generate a receipt for the taxpayer that includes at a minimum a system-assigned tracking number, payment amount, date, tax schedule, period, taxpayer name, taxpayer ID, and user name. The system must store and track all receipts issued.

C.7 Outbound Correspondence

Overview

The Department desires a system that will enable users to have more control over correspondence format and content, and will enable them to generate and track most of the correspondence that is now being done manually and in a variety of formats. The Department is open to new formats of correspondence as long as the basic elements (standard text, taxpayer information, variable amounts, explanation text, and coupon where applicable) are included.

The Department also receives a large volume of returned correspondence, which is currently processed manually. Requirements are included for automating some of the returned mail process in TIMS. For the purposes of this document, "correspondence" refers to all documents generated by TIMS that are sent to a taxpayer.

Correspondence Requirements

- O-1 TIMS must automatically generate all notices currently being generated by ITAS with all of the existing "triggers." A list of the notices is included in the Supplemental Tax Information (Appendix E), along with notice volumes.
- O-2 All generated correspondence must be associated and maintained with the taxpayer's account for historical and research purposes.
- O-3 Any standard correspondence provided with the delivered system (e.g., assessments, statement of account) must be easy to read and understand, and must be modifiable by the Department or substituted with a custom correspondence if not satisfactory.
- O-4 TIMS must assign a unique tracking number to each piece of correspondence generated. The tracking number must be 13 digits formatted as YYMMDD9999999 where YYMMDD is the date generated, and 9999999 is a sequentially assigned number within that date. The basic components of standard correspondence are:
 - a. Correspondence ID – an identifying code that indicates the correspondence type (e.g., garnishment, assessment)
 - b. Correspondence number – a unique numeric identifier for this correspondence.

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- c. Standard text – this text is variable by correspondence ID, but will appear in exactly the same place and format for each correspondence of that type that is generated by TIMS.
 - d. Taxpayer information – includes name, address, tax type, period, and any other information that identifies the taxpayer.
 - e. Amounts – the numbers that explain to the taxpayer what adjustment was made, and/or tells them what they owe to the Department. The amounts will be in a standard format by correspondence ID.
 - f. Explanation(s) – variable text and amount fields that are printed to explain why the taxpayer is receiving this correspondence. Can be system generated or selected by a user. Includes but not limited to adjustment reasons that are entered at the time of the adjustment, standard explanations for that correspondence ID, and specific reasons entered for that correspondence and that taxpayer.
 - g. Qualified coupon (specialized type of correspondence) – a standard formatted document that can be automatically processed by the Department's high-speed remittance scanner.
- O-5 TIMS must provide for batch generation of correspondence based on "triggers" activated by specific system activity, as defined by the users. For example, if a refund check is issued where the amount is different from what the taxpayer requested, TIMS must automatically generate a refund adjustment correspondence that includes the appropriate explanation (e.g., offset, calculation error, etc.). Other examples include but are not limited to manual or automated adjustments to a taxpayer's balance, standard billing correspondences generated based on pre-established timeframes, and garnishment correspondences generated when sources are identified.
- O-6 The users must be able to define the triggers for all standard correspondence. For example, a delinquent correspondence is a standard correspondence that is generated for taxpayers who are past due in filing a return. The user must be able to define criteria that includes checking for returns in TIMS that have not yet been posted to the taxpayer's account.
- O-7 TIMS must provide for batch generation of correspondence based on user request and selection criteria. For example, send xyz correspondence to all individual taxpayers that match an uploaded file of name and SSN. Other examples include but are not limited to: all sales and use taxpayers who file quarterly; all w/h taxpayers who pay by EFT, all Corporate taxpayers who are nonprofits, etc.

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- O-8 TIMS must provide capability to “trigger” any batch correspondence for a specific taxpayer online by authorized user request.
 - O-9 Explanations must be stored on TIMS with an identifying “code” that is shared by the notes function (see Notes and Reason Codes requirements for details).
 - O-10 An authorized user must also be able to enter free-form text that can be generated on a specific taxpayer’s correspondence.
 - O-11 TIMS must allow authorized users to create new correspondence, including formatting the correspondence and selecting content from any data element in TIMS. The authorized user must also be able to define the “triggers” that will cause the correspondence to be generated, including but not limited to entry of specific notes, set time period where specific balance conditions exist, set time period with no payments, etc.
 - O-12 TIMS must provide a grammar and spell checking utility for all correspondence.
 - O-13 TIMS must track all correspondence by date issued, taxpayer, user (or system function) that created the correspondence, correspondence ID, and correspondence number, at a minimum.
 - O-14 TIMS must provide authorization levels such that only specific users can create correspondence with financial information, while a broader range of users can create letters with no financial information.
 - O-15 TIMS must be able to print multiple page correspondence that will correctly feed bursting equipment such that the pages will stay together.
 - O-16 TIMS must be able to print the explanations on the correspondence in a user-defined standard order, or allow a user to override the order.
 - O-17 TIMS must be able to print an associated amount from the taxpayer’s account with each explanation printed, as appropriate.
 - O-18 Specific correspondence is defined to include a coupon at the bottom for the taxpayer to send in with a payment. TIMS must be able to print a scanline in OCR font, and a 3 of 7 barcode with a predefined value on the coupon to allow the coupon to be automatically processed by the DCS.
 - O-19 TIMS must print the unique correspondence number in a format and location such that it can be scanned through the window of the envelope for the purposes of processing returned mail.



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- O-20 TIMS must be able to print the taxpayer's name and address in a specific location that will line up with a window envelope.
 - O-21 TIMS must be able to print the USPS standard address barcode.
 - O-22 TIMS must enable the user to print a copy of a correspondence exactly as it was originally issued.
 - O-23 TIMS must allow a user to regenerate a specific correspondence instead of reprinting a copy of the original. The date must reflect the current date, and the balances must reflect the updated system balances, but the original correspondence date must also be indicated.
 - O-24 TIMS must track the history of all generated correspondence, including but not limited to date generated, date sent (printed), date placed on "hold" (manually placed by a user or automatically by TIMS), date a copy was generated, date reprinted, "void" date, and the user ID of who performed the action, when applicable.
 - O-25 TIMS must allow authorized users to void or delete correspondence that has not yet been printed. But if printed, cannot be voided or deleted.
 - O-26 Voided correspondence must not be viewable in the taxpayers record, but only in audit trail information.
 - O-27 The Department often includes inserts with correspondence. TIMS must be able to identify correspondence that needs to receive an insert by ID and/or reason generated. This can be done at run time or set as a default.
 - O-28 The Department prints specific correspondence IDs on special forms. TIMS must allow the user to define a paper form type for each correspondence ID, and sort the correspondence by paper form type for printing.
 - O-29 TIMS must allow the Department to include graphics, electronic signatures, and special characters on correspondence.
 - O-30 TIMS must provide a means for specific users to have all or a subset of their newly created or revised correspondence reviewed before being printed.
 - O-31 TIMS must allow the creator of a correspondence template or a supervisor to revise that correspondence template at any time, but prevent other users from revising the template.
 - O-32 The user must be able to define standard correspondence that includes information for more than one tax schedule and more than one tax period.

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- O-33 The user must be able to define and selectively issue flexible statement of account correspondence that includes but is not limited to (1) all payments for all tax schedules, (2) payments for a specific tax schedule, or (3) all activity.
 - O-34 TIMS must provide the capability to generate a combined correspondence and refund check on one page. The Department currently generates this one-page combined document for Individual Income taxpayers.
 - O-35 TIMS must provide the capability to generate refund checks without correspondence – not all refund checks require an explanation.
 - O-36 The font, format, and layout of refund checks must be standard such that the same information is printed regardless of whether or not correspondence is attached.
 - O-37 TIMS must provide an interface to an external source for the purposes of checking for the most recent taxpayer address prior to sending out correspondence.
 - O-38 TIMS must allow authorized users to define review and approval criteria for correspondence that includes but is not limited to who created the correspondence, threshold amounts, negative balances, specific explanations on the correspondence, etc. The user must be able to specify that the correspondence be held until approved or released, or held for a specific time and then automatically released.
 - O-39 TIMS must enable any correspondence to be “routed” to a user for review or action. Can be a routing of the actual correspondence, or a trigger in the user’s work flow when the correspondence is generated.
 - O-40 Users must be able to view correspondence online as it will look when printed, print it at a local printer, or generate it in electronic format (for e-mailing or transmission to an external entity, such as a bankruptcy court). The local printer is any printer that can be directly accessed by the user’s PC.
 - O-41 The taxpayer address for the correspondence is determined by different criteria, including a hierarchy of address types. TIMS must be able to store multiple address types by account, address type, and correspondence ID, and evaluate which address to use by correspondence ID and established address type business rules. The default when no address is specified is always the taxpayer’s primary address.
 - O-42 Authorized users must be able to enter an address for a taxpayer for a set timeframe (e.g., taxpayer spends the winter in Florida), and override the

selected correspondence address with the temporary address for notices sent during that timeframe.

- O-43 Authorized users must be able to enter a one-time address for a taxpayer, and override the selected correspondence address with that address or another taxpayer address for this one time only.
- O-44 TIMS must allow the users to send a copy of a taxpayer's correspondence to a related 3rd party as designated by the taxpayer.
- O-45 TIMS must provide one place where all of a taxpayer's correspondence is listed, and allow the users to specify selection criteria (e.g., correspondence ID, tax type, period, etc.) to narrow down the list.
- O-46 TIMS must allow the user to select correspondence from the list of available and approved correspondence to send to a taxpayer or group of taxpayers (could be high volumes, e.g., 15,000) that meet certain criteria (e.g., fraudulent preparers, nonfilers).
- O-47 TIMS must allow information from different accounts and balances within an account to be combined into one correspondence, per user definition.
- O-48 TIMS must be able to generate certified mail in the format required by the USPO, including printing the required certified mail barcode.
- O-49 TIMS must provide the capability for the user to generate an account transcript in a similar format to the IRS transcript.

Returned Mail Requirements

- O-50 TIMS must provide a means to enter or scan information from returned correspondence (using hand-held scanner, desktop, or other), and automatically create a note that the item has been returned.
- O-51 TIMS must allow the users to define business rules for automatic re-sending of the returned mail by correspondence ID, correspondence ID, account type, or other criteria. For example, if a more recent address is on TIMS than the one on the correspondence, TIMS should automatically update the correspondence information, resend the correspondence, and create the appropriate notes.
- O-52 If the correspondence cannot be re-sent, TIMS must automatically generate the appropriate notes, perform updates to "suppress" future account or taxpayer activities according to business rules based on correspondence ID and/or account (e.g., don't send a final bill if the Sales Tax proposed assessment was

returned), and route the returned mail via the workflow for manual resolution. Business rules include but are not limited to priority based on other account activity (e.g., statute of limitations, in audit), account status, tax schedule, correspondence ID.

- O-53 The Department does not need to research all returned mail. Therefore, TIMS must allow each defined correspondence ID to be defined and easily identifiable as “valid for returned mail” or not.
- O-54 A flag must be visible at the taxpayer level to indicate that mail has been returned and not yet resolved.
- O-55 All items that are resent must be updated for the most recent financial information before resending. For example, if an item is returned and no address is available until a month later, any accrued interest and penalty should be shown on the correspondence.

The following requirements are preferred or future requirements of the Department:

- OF-1 All correspondence should be able to be printed in other languages based on user selection (users must be able to select the language).
- OF-2 TIMS should be able to produce correspondence in large font for user-requested specific correspondences, on demand.
- OF-3 TIMS should provide the capability to generate correspondence in PDF format as requested by an authorized user for a specific correspondence, download the correspondence to the user’s PC, and indicate on TIMS that the PDF file was created. (Used for e-mailing correspondence.)
- OF-4 TIMS should provide tools to enable users to analyze the “results” of the correspondence. For example, how soon did the taxpayer pay, what transactions came after the correspondence, etc.
- OF-5 TIMS should provide the ability to index and track incoming correspondence. Includes flagging a return when something was attached or written on the return.
- OF-6 For returned mail, TIMS should provide interfaces to a variety of address sources, such as Lexis Nexis, USPO, or other online sources.
- OF-7 TIMS should be able to produce a variety of barcodes, including 2-D barcodes.

C.8 Notes and Reason Codes

Overview

The Department's current system provides the capability for the user to enter notes about the taxpayer in free form text at the taxpayer, account, period, or case level. It also allows the user or system to update the taxpayer's account with a "reason code" that explains the reason for an adjustment or provides an explanation on a notice. Some reason codes are only for adjustments, some are only for notices, and some are for both.

Today several problems exist with reason codes and notes that the Department desires to be resolved by TIMS, such as

- the reason code table, adding/deleting/changing, must be maintained by IT
- reason code text cannot be changed without impacting reprinting of notices because the original text as printed is not stored on ITAS
- number of reason codes is limited to 999, which is inadequate
- explanations for notices cannot be written in "free form text"
- notes cannot be accessed from one central place for a taxpayer based on the level of the note, so it is difficult to see a taxpayer note history
- once a note is entered, the user cannot go back and correct mistakes, resulting in many "disregard the previous note" notes
- any adjustment reason can be entered for anything (no restrictions or edits), resulting in the inability to know why an account was adjusted
- users can only view the first 35 characters of reason code text online

Also, through experience, the users have discovered that many notes can be standardized while many notice explanations need to be free form text, and that much commonality exists between what is written in notes, adjustment reasons, and what is printed on a notice. Therefore, in TIMS the Department desires that the "reason codes" be shared between the notes, correspondence, and adjustment / update functions in TIMS.

Requirements

- N-1 TIMS must allow authorized users to create standard reason codes with an unlimited amount of reason text.
- N-2 TIMS must allow for an unlimited number of reason codes.
- N-3 The user must be able to specify a limited use for a reason code (e.g., for liability settlement adjustments only), and indicate whether the reason code is applicable to notes, adjustment / update reasons, correspondence, or any combination of the above.

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- N-4 TIMS must allow the reason code to be associated with a specific system amount variable (e.g., refund amount) for display or printing on a notice.
 - N-5 TIMS must allow authorized users to modify the text of a reason code without impacting notices that have been previously generated or notes that have been previously created.
 - N-6 TIMS must allow reason codes to be accessed from the notes function.
 - N-7 TIMS must be able to automatically create notes and reason codes on a taxpayer's record for a variety of system activities as defined by the users, including but not limited to the reason(s) a return didn't post, a specific notice was sent, an incoming document met certain review criteria, etc.
 - N-8 TIMS must require the user to enter a valid reason code when certain adjustments or updates are made online. For example, if a user enters a return line item adjustment, they must enter a reason code that has been designated as valid for line item adjustments.
 - N-9 For every note and reason code entered, the user ID, date, and time must be captured and retained as history for audit trail purposes.
 - N-10 TIMS must allow the users to "cut and paste" data from an external source as appropriate into a note or a reason code text to prevent the need for retyping the information.
 - N-11 TIMS must provide a list of standard abbreviations that can be designated to be used for notes, reason code text, or both.
 - N-12 For reason codes that are specified as "valid for notes," the definition must include required data elements that must be entered by the user when creating the note.
 - N-13 All notes and reasons on a taxpayer's record must be identified as system or user generated.
 - N-14 A spell check utility must be used when entering notes or reason code text.
 - N-15 TIMS must enable a reason code to be active or inactive, with effective begin and end dates.
 - N-16 TIMS must store the user ID, date, and time for all reason code additions, changes, and inactivations, including what changed.

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- N-17 The user must be able to establish a reason code as applicable to tax periods that fall within a specific timeframe. For example, the reason code text may have a percentage that is only applicable to certain tax periods.
 - N-18 The user must be able to enter free-form text for notes, or select a valid reason code that will populate the note with the reason code text.
 - N-19 When the note is related to specific system activity, the note "header" must contain the appropriate taxpayer and account information as populated by TIMS.
 - N-20 All notes for a taxpayer need to be accessible from one location on TIMS, regardless of who created them and how they were created. The user must be able to sort and select notes for viewing using flexible criteria.
 - N-21 The user must be able to designate a note as "restricted access" such that only authorized users can view the note.
 - N-22 Note originators must be able to delete or change their notes the day that they are entered. After that time, note text cannot be changed or deleted except by an authorized supervisor.
 - N-23 TIMS must have the capability to store notes received from external systems via a batch or other pre-defined interface. For example, the Department's Predictive Dialer system stores comments related to taxpayer contact that the Department would like to upload and add to the taxpayer's record.
 - N-24 TIMS must allow note archive rules to be established and executed.
 - N-25 TIMS must provide a list of pre-defined note "topics" that users can select, or allow users to enter their own note topics.
 - N-26 TIMS must provide the capability for the user to enter "temporary" notes – notes that will be archived after a specified time period.
 - N-27 TIMS must allow any user to add to another user's note, and keep track of the user ID, date, and time the change was made.
 - N-28 TIMS must allow an authorized user to enter a note and then specify multiple accounts and taxpayers to which the note should be applied.
 - N-29 TIMS must allow users to print all or selected notes for a taxpayer to their local printer.
 - N-30 When entering, printing or displaying notes, TIMS must ensure that words wrap correctly.

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- N-31 TIMS must display an indicator that “notes exist” for a taxpayer whenever the taxpayer is selected for viewing or update by a user.
 - N-32 TIMS must provide a way for the users or the system (when system-generated note) to mark a note as containing Federal tax information so that the note can be protected as Federal tax information.
 - N-33 TIMS must provide the capability for a user who is reviewing a note to create a workflow item for the note originator.
 - N-34 TIMS must display the originator’s name and user ID when displaying a note.
 - N-35 TIMS must enable users to search the reason codes list by a keyword or phrase.

The following requirements are preferred or future requirements of the Department:

- NF-1 The Department’s mandatory requirement regarding changing a note is that originators can change or delete their notes the same day. We desire to have flexibility to have the change / delete time period a user-defined parameter.
- NF-2 When specific words are entered for a reason code text or note, TIMS should automatically provide a standard abbreviation for consistency and length.
- NF-3 TIMS should provide the capability for a user who is reviewing a note to e-mail the originator of a note.
- NF-4 TIMS should be able to translate the notes and reason text into other languages based on user selection.
- NF-5 TIMS should display all information about the note originator, including location, telephone number, division, and supervisor.

C.9 Workflow and Case Management

Overview

DOR has recognized that overlaps exist in the ITAS for workflow, case management, and how the Department would like to assign work. This section defines requirements for all of these areas as one function.

Requirements

For the purposes of this document, “workflow item” and “case” are synonymous.

- W-1 TIMS must allow authorized users to create and maintain business rules that identify what action needs to be performed based on specific criteria, who should perform it (individual or group), when it is due (if applicable), priority, and next action(s) based on the results of the previous action, including what criteria is required to “close” or complete the case. The criteria can include but is not limited to dollar thresholds, tax schedule, form type, transaction type, account status, account activity, user skill level required, taxpayer history with DOR, and action required.
- W-2 For collections, audit, and other items where the user may be contacting the taxpayer, TIMS must ensure that everything for a taxpayer is consolidated such that not more than one DOR employee will be contacting a taxpayer for the same reason.
- W-3 TIMS must allow business rules that specify system-performed actions as well as rules that route work items to another user for completion. Actions include but are not limited to sending correspondence, closing accounts, creating transactions to write off account balances, issuing garnishments, pending refunds and assessments for review, and closing other related work items.
- W-4 TIMS must allow mass creation of workflow items for specific projects based on user-entered flexible selection criteria (e.g., individual income taxpayers with RARs, sales taxpayers who paid > \$10000 last year), assigned to specific divisions or units, and activity tracked by that project (who did what, when, etc.). TIMS must allow the user to define a priority for the workflow items.
- W-5 TIMS must be able to create workflow items based on specific actions taken on TIMS, either automated or manual. For example, when a final assessment is generated a collections workflow item needs to be created.

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- W-6 The current system includes but is not limited to the following types of cases and work queue items that must be handled by TIMS. Each type will require the user to be able to establish and easily maintain a variety of business rules and criteria.
- a. Audit Cases
 - b. Collections Cases
 - c. Returns suspense
 - d. Payment suspense
 - e. Review items
 - f. Bankruptcy cases
 - g. Hearing/Hold cases
 - h. Criminal Investigation cases
 - i. Civil Investigation cases
 - j. Delinquency cases
 - k. Taxpayer Assistance cases
 - l. RAR cases
 - m. Action codes
 - n. Federal abstract case
- W-7 Workflow queues must be definable at the user, unit, section, and division level.
- W-8 TIMS must allow workflow items to be established and routed to a specific group of users based on edit and validation criteria of incoming documents or other system activity.
- W-9 The business rules must include capability to handle accounts assigned for audit, and all of the activities required to complete an audit.
- W-10 The business rules must be definable as “route or close automatically” based on certain criteria, or “able to route or close manually” in specific instances. For example, if a workflow item was created because a taxpayer balance exceeded a threshold, TIMS must be able to close the workflow item when a payment is received that reduces the balance below the threshold.
- W-11 A list of all cases and who is currently working them must be viewable at the taxpayer, division, unit, and employee level.
- W-12 TIMS must maintain a history of the actions taken on a taxpayer’s account, including who performed the action.
- W-13 Based on business rules for the work item type, the work item owner must be able to “lock out” the related account such that no other users can make adjustments to that account. For example, if an auditor is in the middle of an

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- audit for a taxpayer's account, other users should not be able to adjust the account.
- W-14 TIMS must allow certain workflow items, such as bankruptcy, to notify all users who have items on that taxpayer's account, and/or transfer those items to the bankruptcy unit so that no additional work is performed.
- W-15 TIMS must provide capability for an authorized user to close groups of workflow items that meet specific criteria, and TIMS must perform the action to release any work that may have been pended in relation to the workflow item. For example, if TIMS has pended transactions and created workflow items for all overpayments > \$500, an authorized user must be able to release all that have not yet been worked and are < \$1000. TIMS must close all the workflow items.
- W-16 The completion of work related to the work flow item must automatically close the item with the date the work was completed and who did the work. For example, if a work flow item was created when a Corporate return suspended, the workflow item should be closed when the return is out of suspense and successfully posted.
- W-17 If a workflow item cannot be completed by the owner (e.g., suspense item that requires additional expertise), the item must be able to be manually routed to another user, unit, or division with notes for action.
- W-18 All workflow items must have a follow-up date and reminders so that the assigned user does not forget to follow up. Once the item is closed, the follow-up date is no longer applicable.
- W-19 Users must be able to view their assigned workload sorted in any order they choose.
- W-20 Users must be notified if they have items due within the next "x" days as defined by business rules by unit, section, or division.
- W-21 Users must be able to modify their workflow items, or cases, to add status or notes.
- W-22 Supervisors must be able to view the workflow for all of their assigned users, both individually and as a group, and prioritize the work.
- W-23 Cases must be able to be routed to either a specific user ID, or to a division or other designated user group.

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- W-24 If a case is routed to a division or user group, TIMS must assign the work based on the current workload, skillset, and availability of all qualified members of the group, or allow a supervisor to assign the work.
 - W-25 TIMS must provide workflow management productivity reports that include, at a minimum, user, date, time, and what was performed.
 - W-26 TIMS must provide workflow management inventory reports by time period and employee, unit, section, or division that include, at a minimum, beginning balance, number assigned, number worked, and ending balance.
 - W-27 Workflow items assigned to a group that have not yet been worked must be re-assigned automatically or manually by a supervisor to keep the workload in balance and ensure that all work is timely performed. Examples are review items, suspense items, or audit items.
 - W-28 TIMS must allow a supervisor to reassign work from an employee who is out of the office or who has left the Department to a "hold" area for reassigning work to a new employee, to an existing employee, or to spread the work to all employees in the unit or section.

The following requirements clarify and add additional information for workflow items related to pending transactions for review.

- W-29 TIMS should provide the functionality to pend transactions based on business rules, review criteria, and tolerances.
- W-30 TIMS should provide the flexibility for authorized users to run queries in TIMS based on criteria and to release or change the status of pending account transactions.
- W-31 TIMS should have the flexibility to enable authorized users to add, remove, change, mass approve or mass deny pending transactions and maintain an audit trail of changes that are time and date stamped.
- W-32 TIMS should provide the flexibility for authorized users to assign and track review items worked including the net result of changes made by review criteria, by organization and user, etc.
- W-33 TIMS should have the capability to store and track pending review items by organizations and by users. Review items created by users or left pending should be stored and tracked in the org of the user. The user who touched it should own it until the pending transaction is released.



- W-34 TIMS should have the ability to query online and sort all the records selected for a specific review item.
- W-35 The report generated for a specific review item should show any lines on the State return or Federal return (ELF) used in pending the review transaction. This information will be helpful in determining if the pending transaction should be approved, adjusted or denied. The report should indicate if the return is an ELF or paper return (DLN number or other indicator).
- W-36 TIMS should have the functionality to enable authorized users to define business rules to identify problem areas on returns and the flexibility to auto correct and adjust to the extent possible.
- W-37 TIMS should maintain a history and an audit trail of changes made to review item criteria that is time and date stamped.
- W-38 TIMS should provide the capability for authorized users to monitor the work of their employees based on criteria he or she selects that can be applied or set differently for each employee based on business needs.

C.10 Revenue Accounting and Distributions

Overview

The Revenue Accounting function tracks and reports, at a summary level, all activities related to the collection, refunding, and distribution of money on a daily, monthly, and fiscal year to date. Distributions of funds are made to external entities according to North Carolina statutes. Accurate information must be available in a timely manner, including daily totals of deposits and transfers from the previous day.

Revenue Accounting Requirements

- R-1 TIMS must allow the users to maintain tables of valid budget codes, function codes, and section numbers.
- R-2 TIMS must allow the users to associate multiple section numbers to one tax schedule. Multiple section numbers roll up into one tax schedule and budget code.
- R-3 TIMS must allow the users to associate each function code to one and only one tax schedule. Each tax schedule can include multiple function codes.
- R-4 TIMS must allow the users to associate each function code with one and only one budget code. Multiple function codes roll up into one budget code.
- R-5 TIMS must allow the user to define standard journal entries and footnotes, along with all associated business rules, including but not limited to tax schedule, description, frequency, and recipient of the distribution.
- R-6 TIMS must allow the users to define business rules for what types of activity are tracked and reported for each section number and each function code within the tax schedule. For example, function code 0640 tracks and reports Individual Income tax estimated payments, function code 0641 tracks and reports other Individual Income tax payment types, section number 401 tracks and reports Individual Income tax check refunds, and section number 402 tracks and reports Individual Income tax direct deposit refunds.
- R-7 TIMS must allow the user to define automated journal entries for routine distributions that don't require additional user review or input. For example, collected penalties are distributed monthly to an external entity. TIMS must create a journal entry to move the money from the budget code where the money was received to a transfer account. TIMS must provide a way for the users to update the distribution as "completed" after the money has been physically moved, including adding an actual date transferred.

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- R-8 TIMS must allow the users to enter manual journal entries.
 - R-9 All collection data received from source systems, e.g., OFP or EFT, must be available for reporting first thing in the morning for the prior day's deposits.
 - R-10 All transfers done on TIMS must be available for reporting first thing in the morning on the next business day after the transfer was made.
 - R-11 All money that was not deposited to a specific tax budget code (see Submissions requirements, Payments section) must be deposited to a suspense budget code , and must be excluded from Revenue collections reports. Once the money has been moved/deposited to the correct tax budget code, it must be reported as activity on the day it was moved/deposited. Funds deposited to the suspense budget code must be accounted for in the imprest bank account. The system must prevent a deposit to the suspense account on the last business day of the fiscal year.
 - R-12 TIMS must allow the users to add comments to a journal entry that appear as footnotes on the Statement of Collections (SOC) report (in addition to the standard footnotes pre-defined with the journal entry). (See Q31)
 - R-13 TIMS must allow all summary data for the prior month, including journal entries, to be "closed out" (finalized) by an authorized user such that no adjustments can be made after that time. The Final SOC report is then generated. (See Q33)
 - R-14 TIMS must provide a means for the users to approve data that has been uploaded from source systems.
 - R-15 TIMS must generate daily reports of all activity that occurred that day to facilitate user review and approval of the day's activities.
 - R-16 TIMS must allow the users to "approve" the daily deposit numbers such that deposit dates for that day cannot be changed once approved.
 - R-17 TIMS must allow the user to generate reports in PDF format for sending to external agencies.
 - R-18 TIMS must enable the users to manually batch and enter payments and returns in batches that could not be processed by any of the source systems. This includes cash payments. Payments must be entered with enough information to enable them to be posted to the correct taxpayer and account period. The users must be able to open, balance, and certify these manual batches. Once certified, the amounts and dates are not modifiable.

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- R-19 TIMS must provide a means to report on all manual deposits by date range, budget code, function code, etc.
 - R-20 TIMS must allow reallocation of gross receipts that reallocate money from one budget code to another (e.g., Motor Fuels).
 - R-21 TIMS must allow journal entries that record total refunds and refund cancellations for tax schedules not on TIMS.
 - R-22 TIMS must allow authorized users to create, modify, display, cancel, and delete non-TIMS refund information journal entries. These refunds are generated by the NC Accounting System (NCAS) but must be tracked in summary by TIMS for financial reporting purposes.

Distribution Requirements

- R-23 TIMS must store tables with county and municipality populations, tax levy, and other data to facilitate distributions. The tables must be able to be uploaded from external sources.
- R-24 Distributions can be monthly, quarterly, or annual, and can be to one or more external entities and TIMS must be able to handle the distribution on the appropriate cycle.
- R-25 TIMS must allow the users to set up the receiving entity on TIMS for reporting purposes, and for future use for issuing checks or electronically transferring funds.
- R-26 TIMS must allow the users to define business rules for how collections are to be distributed by tax schedule and effective date, including but not limited to date selection criteria (e.g., process date > last run date and receive date < last month end date), calculations using return line item data, "hard coded" calculations, allocations based on county populations, collections by liability type (e.g., only distribute collections for late pay penalty), frequency, allocations based on other criteria, or any combination of the above.
- R-27 TIMS must ensure that distribution criteria are not duplicated – that specific funds cannot be distributed to more than one place. For example, if late pay penalty for all tax schedules is included in the criteria for distribution ABC, no other distribution can distribute late pay penalty for any tax schedule.
- R-28 TIMS must generate all required reports in the format required by the external agency (e.g., State Controller, Treasurer, etc.).

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- R-29 For Sales Tax distribution, TIMS must allow business rules to be defined that will, in certain cases, create a system-generated liability in a Sales Tax account that has a payment but no return posted, and issue a notice to the taxpayer. The money can then be distributed.
- R-30 TIMS must provide a way for users to reallocate Sales Tax from one county to another based on information filed on a refund return. For example, vendors who pay tax to a county may not have reported it as paid to that county so it was not distributed correctly.
- R-31 TIMS must handle the current distributions of collections to local governments performed by the Department which include:
- a. Sales and use – monthly, based on Articles 39, 40, 42, 44, and different rules by county. Need to track unallocated collections .
 - b. Scrap tire – quarterly, cost subtracted from collections, based on per capital population as of September.
 - c. White goods – same as scrap tire, except eligibility as determined by information at DENR, which changes every March.
 - d. Hold harmless – annual, Article 44, from Sales Tax, sent to specific counties and municipalities
 - e. Utility Franchise (piped natural gas, electric, telecommunications, satellite, video programming, etc.) – quarterly, data from a variety of sources, different formulas and calculations used depending on utility type.
 - f. Alcoholic Beverage – annual, to municipalities and counties eligible to sell, based on what type they sell (beer, unfortified, fortified). Amounts are reserved quarterly.
- TIMS must handle distributions to other entities which include, but are not limited to:
- g. DENR – Solid Waste Management Trust Fund
 - h. DPI - State Public School Fund – quarterly, from Corporate Income and from Sales Tax
 - i. Office of State Budget and Management – monthly, penalties collected by type.



- j. Department of Commerce – William S. Lee act – quarterly, transfer 25% of fees received
- k. IFTA – monthly transmittals to other jurisdictions outside North Carolina, based on return information
- l. Motor Fuels close-out – based on product type and type of tax, includes interest but not penalties, to other jurisdictions
- m. Law Enforcement Agencies – monthly, from USUB collections based on taxpayer account information, fees subtracted out.

C.11 Queries, Reports, Extracts

Overview

In the current environment, it is challenging for DOR to know what reports are being produced and what queries have been previously created. The purpose, frequency, requestor, author, recipient, action status, and type of data in a report are not readily available in an enterprise-wide manner. Therefore, duplication of effort often exists across DOR divisions.

DOR has over a thousand reports that are generated in the existing environment. During the implementation of TIMS, the Vendor and DOR will determine which specific reports are needed. DOR has final approval of the reports to be added, modified, or eliminated. The Vendor should not consider the following to be an all-inclusive list but rather examples of expected reports:

- Aging;
- Performance results as compared to performance targets;
- Workload;
- Job scheduling;
- Collections projections;
- Productivity rates; and
- Transactions that offset taxpayer payments reports.

General Requirements

- Q-1 TIMS must be capable of generating DOR-defined reports. The reporting must be robust, flexible and support all tax industry-standard analytical techniques. These techniques include, but are not limited to: variance analysis, projections, trends, regression analysis, and charting.
- Q-2 TIMS must support business user-defined and ad-hoc queries.
- Q-3 TIMS must support standard, system-wide reporting for any data element and all chart of account elements in order to facilitate reporting of summary and detail amounts for each type of transaction.
- Q-4 TIMS must produce reports needed to support DOR's business processes in scheduled batch mode, online, and ad-hoc environments.
- Q-5 The tool used to generate end-user, ad-hoc reports must be one targeted for use by the end user. The ad-hoc reporting tool must not require the end user to have technical knowledge or training.

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- Q-6 The reporting features of TIMS must include the ability to generate reports that can be viewed online or printed.
- Q-7 TIMS must have the ability to provide DOR with reports in a variety of frequencies which include: one-time, daily, weekly, biweekly, monthly, quarterly, semiannually, annually, or periodically as determined by DOR.
- Q-8 TIMS must provide all DOR users with the ability to view and print the directory of standard reports available, brief description and title, and all elements associated with each report.
- Q-9 TIMS must provide the capability to assign ownership and access authorization to each report, by user or group of users (section, unit, division).
- Q-10 TIMS must be capable of producing the required reports and all reports that are considered industry-standard for a government taxing and revenue agency. TIMS must have the ability to provide industry-standard financial, management, and analysis reports.
- Q-11 The reporting environment must be user friendly and accessible to DOR staff so that they may create their own reports and/or modify parameters associated with an existing report.
- Q-12 For each report or query, TIMS must store, at a minimum, the creator's user ID and information for each time the report was selected, including but not limited to date run, who ran the report, and selection criteria used.
- Q-13 TIMS must allow for special handling (e.g., priority printing) of queries and reports resulting from Legislature or Executive Office requests.
- Q-14 TIMS must have the ability to produce reports for monitoring performance targets, such as aging reports, workload reports, revenue projections, and productivity rates, etc.
- Q-15 TIMS must allow the Department to define business rules for how restricted access taxpayers are handled for reporting when a user who does not have authorization to view the taxpayers requests a report that includes them. For example, data may show on the report but without identifying information, or data may be excluded from the report and a note printed to indicate how many taxpayers were excluded.
- Q-16 TIMS must provide the capability to report or query on any data element or combination of elements in TIMS.

- Q-17 Reports must be available to all authorized users in TIMS.
- Q-18 The schedule of reports generated by batch processes must be made available to the users.
- Q-19 The tool used to generate adhoc reports and queries by the business users must be one targeted for use by a non-technical person. For example, the user must be presented with logical data element names and relationships rather than actual table and field names.
- Q-20 TIMS must allow the user to store selection criteria for a query for future use, or just run the selection one time.
- Q-21 TIMS must be capable of providing different levels of authorization based on the user's overall authorization and the information to be accessed. For example, if a user does not have authorization to view bankruptcy data they should not be allowed to create a report that contains bankruptcy data.
- Q-22 The report period covered must be flexible such that it can be defined using any of the dates available on TIMS (e.g., receive date, tax period, process date, etc.) and any range or combination of dates (e.g., multiple tax periods, receive date = 'x' and process date between 'y' and 'z', etc.).
- Q-23 Reports must be available electronically, via a local printer, or via a system printer.
- Q-24 TIMS must provide the capability to store a "standard max pages" number for each report when the report is created.
- Q-25 When a paper report is generated that exceeds the "standard max pages," TIMS must prompt the user and request confirmation before the report is printed.

Standard Reporting Requirements

- Q-26 TIMS must provide the capability for DOR management to easily obtain summary data by tax schedule, taxpayer, fiscal year, or any other criteria as defined by management.
- Q-27 TIMS must generate the required accounts receivable reports that include data from all tax schedules. To facilitate this reporting, TIMS must allow the users to define uploads from external sources (e.g., tax schedules not yet on TIMS), store the uploads, and use the uploads in the report based on business rules.

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- Q-28 TIMS must generate the required collections activity reports that include collections totals by month, fiscal year, source, tax schedule, collections stage, special project, and any other criteria as defined by the users.
- Q-29 TIMS must generate employee productivity reports that include, at a minimum, time logged into TIMS, number of audits completed, number of cases/work items closed, tax schedule, amount assessed, amount collected. The reports must be able to be generated by unit, section, division, or across divisions, and by date or date range.
- Q-30 TIMS must generate special project productivity reports that mirror the employee productivity reports but are summarized for a specific project or projects. Special projects include but are not limited to specific audit initiatives (e.g., Convenience Stores), collections initiatives (e.g., Offers in Compromise, Levies, or legislative initiatives (Project Collect)).
- Q-31 TIMS must be able to generate the Statement of Collections (SOC) report. The SOC is the primary report generated for Revenue Accounting, and is a summary of all activity for the month-to-date rolled up by budget code. Specific columns on the report are Gross Revenue (all collections for the month including transfers and movement to/from suspense), Refunds, Reserves (money set aside for distributions – manual entry), Distributions, and Net Revenue. Report also includes Net Revenue from the year before, by budget code, and comparison columns. Money transferred from suspense to a tax budget code is handled with a check written from the imprest (suspense) account and deposited through data capture. Money is transferred through RCA from a tax budget code to suspense.
- Q-32 TIMS must be able to generate the “tentative SOC” report for monthly distribution. It is distributed within the first five (5) working days of the month following the month of collections.
- Q-33 TIMS must be able to generate the Final SOC report by the end of the month following the month of collections. At that time, TIMS must allow all data reported on the SOC report, including journal entries, to be “closed out” (finalized) by an authorized user such that no adjustments can be made after that time.
- Q-34 Users must be able to “drill down” for any amount on the SOC to get to the details that make up the reported amount.
- Q-35 Other reports required by Revenue Accounting include but are not limited to Daily Statement of Gross Collections, Month-to-date Cash Receipts, Volume reports, and Refund reports. These reports must be provided by TIMS.



Extract Requirements

- Q-36 TIMS must include the ability for the users to define selection criteria and specify output formats for extracts (text files) that can be exported to a word processing, spreadsheet application, database, or other tool (e.g., Stata, SAS) for additional analysis.
- Q-37 TIMS must allow users to download data directly to their PC or a secure network location without IT assistance.
- Q-38 TIMS must provide a means to define standard extracts required for form vendors and other outside entities that produce coupon books or send mailings for the Department.

Current Reports Requirements

To give the Vendor an idea of the types of reports currently generated on a regular basis (in addition to those in the Standard Reporting section), the following list is provided. This list is not to be considered to be all-inclusive, and each entry could potentially represent multiple reports with a variety of sorts, selection criteria, etc. Most of the reports on this list must be printable as well as available for online viewing, extract, and download. Report frequencies include on demand, monthly, quarterly, annually, or other user-specified period.

#	Recipient	General Content / Purpose	Reason for Reporting
1	Internal	Unallocated payment (return not filed)	To allocate payments, for distribution
2	S&U Tax division, outside	Select taxpayers by acct type, filing frequency, SSTP, other tp data	Labels, mailings, county requests
3	S&U tax division	Which SSTP taxpayers have submitted money	Report on SSTP
5	Exams	Refunds and source of refund, assessment by type	Exams uses
6	Management	Work stats by employee	
7	Legislators, other agencies,	Distributions, projections	Other agency requests and mandates



#	Recipient	General Content / Purpose	Reason for Reporting
8	Asst sec., legislator	How much revenue collected	Collections for special programs
9	Managers/supervisors	Exceptions reports for IRS automated processes	Shows what was processed
10	Exams	Performance reports by employee of # assessed, etc.	Evaluate performance of employees
11	Discovery, Exams, CID	Select by predefined criteria	Reduce outflow of fraudulent refunds
12	Asst secy compliance	Quarterly report of FTI	Required by Publ. 1075, to show how we used IRS info
13	Sales auditors	Consumer use project, us customs, seata, etc.	Identify taxpayers in TIMS based on external data.
14	DOR management	Performance reports for employees	Provide total asmts and number of asmts, by section, schedule, project, collections
15	Auditors/tax techs	Identify areas of noncompliance across tax schedules. Like review item	Revenue generation queries. Standard non compliance reports
16	Tax techs	Suspended trans. – NC3 reconciliation.	Tax paid W/H vs. reported NC3
17	Auditors/tax tech	Review items report of pending trans.	Process returns and pending transactions
18	Field auditors	Identify potential audit candidates	Nonprofits approved to receive refunds
19	Mgr/supv/asst dir.	Performance report field auditors	Collections/asmts by employee, office, etc.
20	Motor Fuels staff	Allocate funds based on product type	Motor fuels
21	DOR staff	Vendor errors by barcode/year/	Errors by vendor type, version, barcode



#	Recipient	General Content / Purpose	Reason for Reporting
22	Auditor	User selected criteria, various fields	Identify audit prospects
23	Legislature	Dollar amounts, who, when, tax types, eligibility	Track tax credits
24	DOR mgmt	Employee case inventory	Review and prioritize work.
25	Users	Active taxpayers by schedule and location	Active/nonactive period by location, AGI, etc. active foreign t/p
26	General Assembly	Refunds issued by type/ timeframe	Proposed legislation
27	Financial Services	Penalties collected by type	Penalties to be distributed
28	Financial Services	Candidate fund, wildlife, political parties, other check boxes	Distribute funds to appropriate external entities
29	Other jurisdictions, IFTA Clearinghouse	T/p acct number, miles, other return information, and audit	Tax liabilities monthly transmittal
30	General Assembly, DOR mgmt	Report collections for motor fuels action plan	By period, initiative
31	IFTA inc.	# new licenses, decals issued, etc.	IFTA mandate
32	Form vendors	Id taxpayer who receive specific forms, preprinted coupons	Print coupons for taxpayer
33	Legislature, Financial Services, DOR mgmt	Collection fee assessed, collected	Tracking collection fees
34	Legislature, DOR mgmt	By project, asmts, collections, tax types, # taxpayers, etc.	Determine success of tax compliance initiatives



#	Recipient	General Content / Purpose	Reason for Reporting
35	DOR mgmt	Employee performance reports	Summary and detail, # hours, # adjustments, etc.
36	DOR staff	Case status tracking, history of the cases	Hearing/hold, OIC, history for the cases
37	T/P assistance, mgmt	Common errors on returns	Outreach efforts and forms design
38	Employees	Returned mail, review item, refunds for deceased taxpayer	Refund checks for t/p without a surviving spouse, estates
39	Dept div	# days since suppression	Suppression aging report
40	Dept div	# days since case on hold	Follow-up on cases on hold by TPA employees
41	Payroll services	Filing frequency, DOR same as payroll service	Filing frequencies by payroll services
42	TPA	Collections taken, adj made, as result of t/p contact. Future compliance potential	Determine impact assistance to t/p has on collections and compliance (TPA perf rpt)
43	DOR mgmt	How many proposed go to final, etc.	Trends analysis of billing life cycles
44	DOR mgmt	Volume of mail returned, source of address, timeframes for better address	Returned mail stats and sources
45	General Assembly, DOR mgmt	Number of taxpayers, amt payment and returns by method,	How t/p choose to pay and file
46	General Assembly, local govts, etc.	# taxpayers, by type, payment, location	Identify how much state tax by jurisdiction



#	Recipient	General Content / Purpose	Reason for Reporting
47	General Assembly, etc.	How much sales tax by rate, type, who is paying it, etc.	Id taxes paid by specific taxpayers, for forecasting effect of rate changes
48	General Assembly, etc.	How much of each monthly collections by payment type, enforced, etc., by tax type	Track and forecast rev.
49	General Assembly, etc.	Names of t/p who are taking credits, amount	Identify beneficiaries of specific tax credits (lee act reports)
50	Policy analysis	Taxpayers with sales above certain levels	Id t/p and processing errors for monthly sales reports
51	General Assembly, etc.	Any and all types of info on any and all taxpayers, status, etc. as allowable by statute	Understand contributions of specific taxpayer demographics (what we have)
52	General Assembly, etc.	Refunds received by nonprofits	Understand which types of nonprofits receive sales refunds
53	Local govts	Amt distributed by sales tax by article, refunds, etc.	Allow local govt auditors to verify what they got
54	Motor fuels, sales tax	Collections by period, reduce motor fuels taxes and charge sales taxes.	Sales tax collections , form 1201, 1200C, and 1201ME. need to make adjustments.
55	DOT/IRP	List all motor carrier accts, mileage traveled by jurisdiction	Provide mileage info by taxpayer
56	Motor Fuels	Decals and license issued by type, location, acct, etc.	Issuance of decals and license



#	Recipient	General Content / Purpose	Reason for Reporting
57	Financial Services and State Controller (OSC)	Individual and Corporate refunds applied to future estimated tax	GASB-33
58	Financial Services and OSC	Update QR-434, w/h payments received in Jan for Dec wages, or July for June wages	GASB-33
59	Financial Services and OSC	Acct status report summary by tax schedule	GASB-33
60	Financial Services and OSC	State S&U tax accounts by amount and tax bracket	GASB-33
61	Auditors and Tax Techs	E588 refund claims	Workload management
62	Auditors	Assessments based on Lee act credits denied	Results of work on Lee act credit review
63	Financial Services	Transfers between Corporate Income and Franchise tax schedules	Monitor transfer activity

C.12 User Authorization, Access, and Audit Trail

Overview

The Department's current system provides limited capability to define user authorization and access at the granularity required by the business. Also, audit trails are not available for all activities on ITAS, such as who corrected a return that had suspended, or which users have viewed a taxpayer's record. The Department requires more flexible and greatly improved functionality in this area.

Requirements

- U-1 TIMS must provide a means for authorized users (not IT) to assign user authorizations and relationships based on flexible business rules vs. pre-defined system rules.
- U-2 Data can be deleted from TIMS by an authorized user based on business rules, but an audit trail must be kept.
- U-3 At a minimum, TIMS must allow a user's authorization to be defined based on skill levels, primary responsibility or role, and division.
- U-4 Every user ID must have an associated supervisor user ID.
- U-5 At a minimum, TIMS must allow a user's access to data to be established at the taxpayer, tax schedule, and system function level.
- U-6 TIMS must provide a way to identify taxpayers who require restricted access by "authorized users only," where only a limited number of pre-identified users can view, update, or report on those taxpayers' data.
- U-7 The list of restricted access taxpayers must be maintainable by authorized users (vs. technical IT staff).
- U-8 TIMS must provide a means for users to be designated as "in training" such that all or part of their work is routed to a supervisor for review and approval, as defined by business rules. For example, the supervisor may want to review all work, every 5th transaction, or release work without review.
- U-9 TIMS must create audit trail data of every add, query, delete, and change including but not limited to the timestamp, what was done and who did it. It must also audit system startup and shutdown functions. Audit trail data must also include system login, system logout, and system administrations changes. The system must allocate sufficient audit record storage capacity to record all



necessary auditable items for a period of 90 days online, and six (6) years offline. The audit trail shall be restricted to personnel routinely responsible for performing security audit functions. The audit trail shall be protected from unauthorized access, use, deletion or modifications. The system must be able to audit throughout the platform and alert on key events. NOTE: This audit trail is different from specific requirements in preceding sections related to TIMS permanently storing information for a taxpayer that identifies who updated a taxpayer's record, what changed, and the reason.

- U-10 Audit trail data on who viewed a taxpayer's record must be viewable and reportable (for authorized users only) at the taxpayer level (all users who viewed a taxpayer and what data they viewed), and at the user level (all taxpayers viewed by a user, and the data viewed).
- U-11 TIMS must restrict DOR employees from updating their own records.
- U-12 TIMS must restrict and track the access to Federal tax information as required by IRS Publication 1075.

C.13 Data Exchange / Interfaces

Overview

The Department exchanges data in batch mode with a number of state agencies and other external entities. The purposes for data exchange include but are not limited to compliance activities, statutory requirements, direct deposit, and setoffs/offsets.

The Department also maintains a number of internal interfaces between ITAS and systems that originate return and payment transactions, including EFT, OFP, Fuel Tracking System, Core Banking, IFTA Clearinghouse, and Data Capture.

One of the key interfaces is with the State's Common Payment Services (CPS) system. All ACH debit and credit card payments received electronically from taxpayers must be processed through this system to get the money into the bank (note: this currently excludes ACH credit and fedwire transactions, which are processed by the Department's EFT system). The interface includes both real-time and batch processing. The CPS system is also used to process direct deposits for taxpayer refunds.

In the RFP, the terms "data exchange" and "interface" are synonymous. Both refer to the automated sending or receiving of data to or from TIMS and other systems within DOR or external entities. (Note: the term "data extract" is the extract and downloading of data from TIMS into a tool for additional user reporting and analysis, and is therefore covered in the Queries, Reports, and Extracts section.)

Limitations with the current system are:

1. Most data exchange and interfaces are batch, both internal and external.
2. To extract data from ITAS requires IT to define the output data and run the extract. Users cannot easily create extracts to send out for matching to an external entity.
3. Defining a new interface or exchange is time consuming and tedious.
4. When data is received from an external entity, it cannot be viewed online without IT defining a table, matching online screen, etc.
5. When external entities require a data format change, making the change requires programming.

Requirements

D-1 All data exchanges must be done in a DOR approved secure manner so that data integrity and/or confidentiality is not compromised.

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- D-2 Tax return data is routinely received from the IRS for compliance purposes. Included is the Individual Income returns data (IMF/IRTF), and Corporate returns data (BMF/BRTF). TIMS must be able to:
- a. Upload new return data on an annual basis, including providing capability to add or remove data elements for that year only.
 - b. Upload additional returns for prior years, and changes to return data.
 - c. Provide online viewing of all uploaded data by taxpayer entity.
 - d. Provide processes to match the IRS data with Department data by taxpayer and tax year, and automatically assess differences or authorize a refund based on user-defined business rules.
 - e. Provide query and extract capability of all uploaded data.
- D-3 Other IRS data received related to compliance activities includes the Revenue Agents Report (RAR) and CP2000 data. TIMS must be able to:
- a. Upload the data to TIMS.
 - b. Provide online viewing of all uploaded data by taxpayer entity.
 - c. Provide processes to match the IRS data with Department data by taxpayer and tax year, and automatically assess differences based on user-defined business rules.
 - d. Provide query and extract capability of all uploaded data.
- D-4 The Department receives IRS levy data and other State agency data (e.g., ESC or DHHS) for the purposes of identifying collection sources. TIMS must be able to process that data against outstanding debts and automatically issue garnishments to the sources found on the files, including establishing the required third party profile data for creating the relationship between the taxpayer and the collection source.
- D-5 TIMS must be able to receive data from an external system, update TIMS based on user-defined business rules, and display the "raw" data as it was received.
- D-6 Future IRS data to be received by the Department includes ITIN, and K-1. TIMS must be able to provide matching capability for the purposes of generating assessments and verifying compliance.

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- D-7 The Department submits tax debt to external entities (including the IRS) based on statute for the purposes of offsetting refunds and lottery winnings. TIMS must be able to:
- a. Generate a file and/or list of tax debts selected based on user defined business rules and user-defined format (usually based on external entity requirements).
 - b. Provide capability to define business rules for each debt source on fees and how the fees are applied (e.g., deducted from amount, added to amount, etc.)
 - c. Generate the appropriate correspondence to the taxpayer when the debt is sent to the external entity, and when a payment is received back.
 - d. Process a file received from the external entity to apply the offset amounts to the correct taxpayer's account and generate a summary report.
 - e. Future – provide a means to automatically receive the payment through CPS.
- D-8 When a DOR taxpayer is due a refund but has an outstanding debt to another State agency or the IRS, the refund is "setoff" to the other agency. TIMS must be able to:
- a. Verify the taxpayer data received from external agencies on TIMS before the item is considered valid for offset. For example, both SSN and name must match or DOR cannot absolutely determine that the debt is for our taxpayer. But if a debt is received for which the taxpayer is not found on TIMS, TIMS must store that debt.
 - b. Automatically receive and store the list of verified debts, including all appropriate taxpayer profile and debt-related information
 - c. Provide capability to define business rules for each debt source on fees and how the fees are applied (e.g., deducted from amount, added to amount, etc.)
 - d. Check the list whenever a refund is due and prevent the refund from being generated, but instead issue a notice to the taxpayer indicating where the money is being sent, and update the list of debts to which the refund was applied.

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- e. Generate a list of all debts being paid (by agency) so that the Department can transfer the funds. (Note: currently the transfer is manual, but will be automated in the future.)
 - f. Provide a means to process both the incoming list and the outgoing payment either biweekly, weekly, or other frequency as defined by the users.
- D-9 TIMS must provide a means for users to select taxpayers for matching with external entities based on user defined selection criteria for the purposes of locating the taxpayer, identifying audit candidates, or finding sources for collections. External entities to be matched include but are not limited to other State agencies (e.g., DMV, ESC, SOS, DHHS), Lexis/Nexis, IRS, Core Banking, county property tax.
- D-10 TIMS must be able to generate the files required by CPS for the processing of direct deposit refunds. All direct deposits must be processed by CPS.
- D-11 The Department is legislatively required to send data to other state agencies (e.g., Senior Care Program). TIMS must be able to:
- a. Receive a file from an external agency, and extract the required matching taxpayer data in the format requested by the external agency.
 - b. Define extract criteria based on legislation (no data match) and extract required taxpayer data in the format requested by the external agency.
- D-12 TIMS must provide a means to easily build interfaces to the Department's future planned systems, including but not limited to Case Management, Data Warehouse, Document Management, and CRM systems.
- D-13 Data is exchanged with state and federal courts both inside and outside NC for the purposes of bankruptcy, deceased taxpayer refunds, and docketing liens. Currently most of the exchange is manual. TIMS must provide the capability to generate the appropriate documents in electronic format and the capability to receive electronic court documents for the purposes of establishing liens and communicating bankruptcy information.
- D-14 TIMS must be able to generate a file in the required format for National Change of Address (NCOA) processing or for the IRS for the purposes of getting updated taxpayer addresses. TIMS must be able to process address updates from data received back, including storing the source of the updated address.



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- D-15 TIMS must be able to process data received from the Secretary of State (SOS) agency for automatically creating and updating Corporate taxpayers.
- D-16 TIMS must be able to receive population data from the State Planning Office, and other similar data, and upload tables used in distribution and other financial reporting.
- D-17 TIMS must be able to process a file from the ABC Commission to automatically establish Alcohol tax taxpayers on TIMS.
- D-18 TIMS must provide capability for the following related to data exchange with the Lottery Commission:
- a. Generate a file of all outstanding Department tax debts and external debts stored by TIMS for setoff of DOR refunds to external agencies.
 - b. Process a file from the Lottery Commission to check the status of taxpayers on the file and see if they are in compliance per predefined business rules, and generate a report of all taxpayers that states if they are or are not in compliance.
 - c. Process payments received from the Lottery Commission.
- D-19 TIMS must be able to create an extract of refund checks to be escheated based on user-defined criteria. The extract is sent to the Treasurer's office.
- D-20 TIMS must be able to process a file received from the Treasurer's office to mark refund checks as paid.
- D-21 Beginning in 2009, the Department may be required to participate in a "reverse match" program with the IRS to help the IRS identify Federal non-compliance. TIMS must be able to extract the required data in an IRS-specified format, and mark the taxpayer's record that the data was sent to the IRS.
- D-22 In addition to the specific requirements mentioned in this section, TIMS must be able to create extracts for and match data received from a variety of external sources as defined by the Department, including but not limited to sources mentioned above, SEATA, MTC, IFTA, Streamline Sales Tax, and FTA. The selection and match criteria must be user-defined and easily modifiable.

Internal Interfaces Between DOR Systems

- D-23 TIMS must be able to interface with the Department's current Data Warehouse system.

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- D-24 TIMS must include batch interfaces to receive data on a daily basis from the following systems. Users must be able to work online while the interface processes are running. Data from these applications currently consist of return and payment information.
- a. Online Filing and Payments (OFP)
 - b. Electronic Funds Transfer (EFT)
 - c. Individual Income Electronic Filing (ELF)
 - d. Corporate Electronic Filing (Corp ELF)
 - e. Data Capture System (DCS)
 - f. Fuel Tracking System (FTS)
- D-25 TIMS must allow the users to establish and change criteria for which interfaces are run and when, and what work is to be uploaded such that work can be prioritized according to business needs and peak processing requirements. For example, during the peak processing for Individual Income, the users may want to upload and process refund returns before processing tax due returns.
- D-26 The current system includes an interface with DCS for working suspense items based on queues established in the DCS and “pre-fetching” images (placing the image in quick-access storage) to provide faster navigation from one image to the next. TIMS must be able to extract required fields from suspense and send them to DCS for “pre-fetching” the images. In addition, TIMS must provide functionality to allow the users to define suspense work queues and process suspense such that:
- a. The image and corresponding suspense screen are displayed side by side for the user to correct the suspense errors.
 - b. After the data is corrected, the next image in the user’s work queue is automatically retrieved and the corresponding suspense screen is displayed.
- D-27 TIMS must provide a file to be used by the DCS to match incoming returns and payments such that they can be posted as “verified” (taxpayer already on TIMS with same ID, name and address). (See S-48)
- D-28 The ELF interface includes processing to identify fraudulent preparers and taxpayers based on user-defined criteria. TIMS must provide this functionality.

- D-29 TIMS must provide audit trail and balancing reports to ensure that all data from the source systems is received by TIMS and not dropped or lost in the transfer.
- D-30 TIMS must be able to generate a file of telephone number information and open collections cases in the format required by the Department's Predictive Dialer system. TIMS must be able to include or exclude taxpayers based on pre-defined selection criteria.
- D-31 TIMS must be able to receive updated telephone number and calling status information and update telephone numbers and taxpayer status from the Predictive Dialer.
- D-32 TIMS must update the taxpayer's entity information with telephone numbers, addresses, and e-mail addresses received from the Department's OFP system. The updates must follow established business rules.
- D-33 TIMS must create a file of taxpayers who are not making electronic payments but should be according to defined business rules. The file is used by the EFT system to identify and notify non-compliant taxpayers.
- D-34 Certain taxpayers are placed on the Department's website on the Tax Debtor's list. TIMS must be able to identify these taxpayers based on business rules, create an extract file with the required information, and store the file in a pre-defined network location for access by the Department's internet server(s).

C.14 Exceptions

Overview

This section contains requirements for processing that could not be easily placed into other sections, and tax schedule specific exceptions that needed to be highlighted.

Bankruptcy Requirements

- E-1 TIMS must be able to track the taxpayer's total balance due, not just amounts that have been final billed.
- E-2 TIMS must be able to receive daily bankruptcy court filings electronically in the format sent by the court and create workflow items based on business rules.
- E-3 TIMS must provide a means for the users to manually enter information received from the courts and other sources as it pertains to the bankruptcy case, or receive the information electronically when it is available.
- E-4 TIMS must have the ability to charge interest on tax and separate interest on penalty. For example, if \$100 in tax, a \$20 penalty, and \$10 in interest are "frozen," TIMS must be able to set up a payment agreement to charge 10% interest on the \$100 and 5% interest on the \$20.
- E-5 TIMS must allow the users to establish multiple payment agreements for each bankruptcy case vs. the standard of one payment agreement per taxpayer.
- E-6 TIMS must create a proof of claim with the exhibits, which are different notices for the different parts of the claim. Secured (CTL) vs. unsecured (no lien). The users must be able to create these on demand due to specific date requirements (only have a small window to submit proof of claim documents).
- E-7 TIMS must be able to file the claim electronically, with all attachments, as a PDF (court requirement).
- E-8 TIMS must automatically amend the proof of claim up or down per business rules when there has been an adjustment in liability.
- E-9 TIMS must automatically discharge or dismiss the bankruptcy case based on data received from bankruptcy courts, and create/route workflow items accordingly.
- E-10 TIMS must generate an electronic CTL (PDF or other electronic format).
- E-11 TIMS must stop the accrual of penalties and interest beyond the petition date – filing date of the bankruptcy case.

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- E-12 TIMS must issue refunds without setoffs or offsets if the taxpayer is in bankruptcy.
 - E-13 TIMS must be able to issue a refund to someone other than the taxpayer, e.g., the trustee, possibly through relationships established on TIMS.
 - E-14 TIMS must automatically release garnishments and create a workflow item for warrants when a bankruptcy case is added.
 - E-15 TIMS must provide the ability to route payments received for taxpayers in bankruptcy for manual payment application based on court case rules.
 - E-16 TIMS must generate workflow items for the bankruptcy unit when certain activity happens on a bankruptcy case that causes the liability to go up or down, or when delinquent correspondence is generated.
 - E-17 TIMS must allow bankruptcy payment agreements to extend beyond the closure of the bankruptcy case. The taxpayer comes out of bankruptcy, but that payment agreement cannot be changed and is still in effect.
 - E-18 TIMS must maintain a "lifetime suppression" for the periods that happened before the bankruptcy date, even after the bankruptcy is closed. No adjustments or other activity should ever be made to those periods.
 - E-19 When a bankruptcy case has closed, TIMS must:
 - a. Generate a workflow item to whoever was working with that taxpayer before the bankruptcy
 - b. Send a letter to the taxpayer letting them know they still have a debt (if they do) and the status.
 - E-20 When a bankruptcy case is dismissed, TIMS must automatically release the suppression such that all activity resumes as though the taxpayer never went to bankruptcy status.
 - E-21 When a bankruptcy case is opened, TIMS must transfer all workflow activity (except auditing) from whoever is working on it to bankruptcy, and notify all affected users that a bankruptcy case has been created. In addition, if an RCO relationship exists for the taxpayer, TIMS should create a workflow item per business rules for reviewing the case and possibly assessing the RCO.
 - E-22 For taxpayers in bankruptcy, TIMS must issue the proposed assessment but suppress all activity beyond that point.

E-23 TIMS must allow users to view all bankruptcy related dates (e.g., bar date, petition date, etc.).

Bonds Requirements

E-24 TIMS must allow the users to enter and track bond information for taxpayers, including but not limited to insurance company, surety company, bank, collateral, amount, date established, tax type, status, activity, history of changes.

E-25 TIMS must generate workflow items when certain activities happen on a bonded taxpayer based on user-defined business rules. For example, if a bonded taxpayer does not pay, a user needs to be notified to call in the bond. Or, the taxpayer's monthly or annual liability has increased by "x" percent so the bond amount needs to be increased.

E-26 TIMS must generate a workflow item if the name of the bonding company changes.

E-27 TIMS must generate correspondence to the taxpayer and/or the bonding company based on user-defined criteria.

E-28 TIMS must prevent a bonded account that has been final billed from being routed through the normal collections workflow, but instead must route to someone who can call in the bond.

Privilege License Requirements

E-29 TIMS must run the job automatically each year that sends out the renewal applications. Renewal notices are sent out in May for the upcoming fiscal year July through June.

E-30 TIMS must be able to process annual renewals that are received before the due date (before the start of the fiscal year), and issue the license.

E-31 If a payment for a privilege license is received without an application or a renewal, TIMS must send the appropriate notice to the taxpayer.

E-32 TIMS must correctly identify accountants and related assistant accountants such that the correct liability is established and the renewal amount posts to the correct account.

E-33 TIMS must allow multiple location-based licenses to be issued for one taxpayer account. For example, each change of address or new location for a loan agency receives a new license number but the taxpayer account ID does not change.

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- E-34 TIMS must identify new applications received after the annual renewal job has been run but effective before the start of the next fiscal year and ensure renewals are issued for the next year. (Currently these are missed.)

Withholding Tax Requirements

- E-35 TIMS must support an “accelerated” filing frequency where the taxpayer makes multiple payments during the quarter (usually semi-weekly or weekly) and files a quarterly return. TIMS must reconcile the return to the payments, and report errors for user correction.
- E-36 For accelerated filers, TIMS must provide a way to identify taxpayers who are not paying during the quarter and generate a notice and workflow item.
- E-37 The taxpayer is required to file an annual reconciliation return that must match the returns filed during the year. TIMS must identify taxpayers who are not in balance and issue workflow items, refunds, or assessments based on user defined business rules.
- E-38 Payroll companies often send payments for the incorrect filing frequency. Valid frequencies are accelerated, monthly, and quarterly. When the frequency is incorrect, TIMS must automatically post the payment and return to the correct filing period based on DOR’s filing frequency. If an original return has already posted to that period, TIMS must automatically increase the taxpayer’s liability and collection amounts, and send a notice to the payroll agency to correct their filing frequency.
- E-39 Payroll companies often use their own address instead of the taxpayer’s address. TIMS must not update the taxpayer record with the payroll company address.
- E-40 When the taxpayer pays the exact amount with the annual reconciliation return that has already been paid during the year, TIMS must refund the money to the taxpayer without requiring user approval or intervention.
- E-41 TIMS must automatically assess accelerated taxpayers when a quarterly reconciliation return is received and the payments made are less than the amount on the return.

Sales Tax Requirements

- E-42 Taxpayers who collect tax for multiple locations are required to file a breakdown form showing where the tax was collected or reallocated for distribution and reporting purposes. Currently the processing of these forms and other reallocation information is manual and very cumbersome. Taxpayers have

requested the ability to send spreadsheets and other electronic data. TIMS must provide a means for the users to reformat the taxpayer's electronic data into a format that can be automatically uploaded to TIMS instead of requiring the form to be keyed manually.

- E-43 For Streamline Sales Tax, the taxpayers are required to file a 6-month informational return and breakdown form. TIMS must be able to store the data on TIMS for reporting purposes.
- E-44 North Carolina charges a consumer use tax on certain items purchased for use in the state where no Sales Tax was paid at purchase (e.g., purchased out of state, or internet purchases). This tax is reported by the taxpayer via three sources – the Individual Income tax form, boat and aircraft form, and a separate consumer use tax form. TIMS must provide a way to report on all consumer use tax assessed and collected regardless of how it was filed.

Cigarette and Other Tobacco Products Requirements

- E-45 TIMS must generate Other Tobacco Products and manufacturer licenses. The license number is the same as the account ID.
- E-46 TIMS must be able to track internet sales separately (separate returns are filed), including but not limited to tracking brands, excise tax, and other return information by taxpayer and period.
- E-47 TIMS must be able to compare schedule data filed as part of the return to a separately filed affidavit that is requesting a refund.
- E-48 TIMS must provide the ability to compare line items on the return from one period to the next. For example, the ending inventory for one period becomes the beginning inventory for the next period, and from that comparison reports are generated to verify the return.

Alcohol Requirements

- E-49 TIMS must be able to track ABC's permit types, assigned by the ABC commission.
- E-50 TIMS must provide capability to match ALE's records to DOR records.

Insurance Premium Tax Requirements

- E-51 Life insurance and title companies file two (2) returns for one period, while fire (property and casualty) companies file three (3) returns, each with different amounts due. TIMS must be able to post all of the returns to one period and correctly generate one assessment.

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- E-52 TIMS must be able to track multiple "tax types" within one account.
 - E-53 When returns are received on electronic media, TIMS must provide a means for the users to reformat the taxpayer's electronic data into a format that can be automatically uploaded to TIMS instead of requiring the form to be keyed manually.
 - E-54 TIMS must have the capability for DOR to process data on behalf of the Department of Insurance (DOI) for additional local fire tax, including posting returns and receiving payments.

Estate Tax Requirements

- E-55 For Estate tax, the return to be filed depends on the date of death. Therefore, TIMS must be able to process at least four (4) different returns that may be posted to TIMS for the same period, different taxpayers (vs. the standard business rule that all taxpayers file the same return for the period).
- E-56 TIMS must be able to send an assessment to the estate, or to each beneficiary for only their share, or both.
- E-57 TIMS must be able to track all collections back to the individual who made the payment.
- E-58 TIMS must be able to issue one or more closing certificates once all liability has been paid, including generating different content depending on the recipient (e.g., county, attorney, etc.), and allowing the user to establish criteria for who receives the certificate.
- E-59 TIMS must determine due date and interest date based on date of death.
- E-60 Like bankruptcy, TIMS must allow the users to establish payment agreements manually based on federal payment agreement instead of DOR business rules.
- E-61 TIMS must not offset refunds for the beneficiary to cover an estate debt.

Gift Tax Requirements

- E-62 Gift tax is an aggregate tax, filed annually. If a taxpayer files a return for giving \$100,000 in 1991, and gives \$50,000 in 1995, the 1995 return will report \$150,000. From the total gift reported (\$150,000), TIMS must deduct the total gift to the same donee in prior years (\$100,000) to get the total gift on which tax is now due (\$50,000).

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- E-63 The gift donor files the return. But if the donor does not pay the required tax within 30 days, TIMS must generate an assessment to the donee(s) for their respective share(s).
 - E-64 TIMS must allow a taxpayer to have multiple gift tax accounts. The taxpayer could be a donor on one account, and a donee on one or more accounts.
 - E-65 TIMS must not offset refunds from one donee to any other donee or to the donor.
 - E-66 TIMS must allow the user to define gift tax rates based on donor/donee relationship and aggregate amount of the gift.
 - E-67 TIMS must allow the consent to share the annual gift tax exclusion only if the gift tax return is timely filed and paid.

Unauthorized Substance Tax (USUB) Requirements

- E-68 When a taxpayer purchases tax stamps for unauthorized substances, TIMS must provide a generic account to which the money can be posted and tracked. It is not stored or tracked by taxpayer entity.
- E-69 The users often need to research prior information, enter data and issue assessments in the middle of the night at a remote location using up-to-date system data. For example, the USUB agent will receive a call from local law enforcement that a drug dealer has been arrested. The agent needs to immediately go out and issue an assessment to ensure the Department receives priority in collecting the tax. With the current system, the users have a copy on their laptop and "sync" to the main system daily. TIMS must provide similar functionality to ensure that the users can do their jobs and do not need to perform duplicate data entry.
- E-70 TIMS must store possession date and time, location, type of substance and quantity, reporting officer name and contact info, USUB agent information, and tables to calculate the correct tax based on quantity, substance type, and tax rate.
- E-71 TIMS must be able to store and track each event as a "case," or account. Accounts can be individual or joint. All account numbers are manually assigned, and are assigned to an agent via the workflow process.
- E-72 TIMS must allow multiple possession dates and substances on one account.

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- E-73 TIMS must generate an assessment for the full amount to each of the taxpayers on the account.
 - E-74 TIMS must report USUB receivables as a separate line item on the standard A/R reports.
 - E-75 TIMS must allow the user to enter fees on the account that are variable in amount and type (e.g., towing fees, printing fees, etc.).
 - E-76 TIMS must be able to interface to the state's surplus property system for tracking items being sold for USUB debt.
 - E-77 TIMS must be able to store taxpayer identifiers other than SSN or ITIN if those numbers are not available, including but not limited to driver's license number or birth date.
 - E-78 TIMS must be able to apply USUB penalties 48 hours from the date/time of possession.
 - E-79 TIMS must be able to track distribution for each case / account rather than only at the total level.

Motor Carrier (IFTA) Requirements

- E-80 The Department is required to participate in the IFTA to collect taxes for other states from motor carriers registered in North Carolina who are licensed to carry goods interstate, and to receive collections from other jurisdictions whose taxpayers travel through North Carolina. TIMS must be able to support IFTA processing including but not limited to tracking miles, gallons, and tax by jurisdiction, taxpayer, and tax period, distributing the tax to the jurisdiction, receiving and posting tax collected from other jurisdictions, revoking noncompliant accounts, reinstating them when they become compliant, and maintain daily interfaces with the IFTA clearinghouse system.
- E-81 TIMS must be able to generate a mandatory \$50 late penalty for delinquent filed returns. After the final assessment, the account must be changed to a revoked status indicating that the taxpayer is out of compliance, and the system must send a revocation letter to the taxpayer and information to the IFTA clearinghouse.
- E-82 TIMS must be able to track ticket charges (e.g., traffic violations, decal violations) to the taxpayer based on jurisdiction.



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- E-83 TIMS must issue a revocation letter before a collection fee letter, based on user defined time period.
 - E-84 TIMS must automatically reinstate a revoked taxpayer when all past due final assessments have been paid, and returns filed.
 - E-85 If a taxpayer has any outstanding debt, TIMS must not issue decals for the next year.
 - E-86 TIMS must allow entry of civil penalties (tickets) for motor carriers from other jurisdictions. If the taxpayer is not on TIMS, they must be automatically added.
 - E-87 TIMS must be able to update the status of taxpayers (e.g., revoked) based on data received from the IFTA Clearinghouse.
 - E-88 TIMS must create monthly transmittals for all returns filed during the period, and for all audits, so that funds can be transferred to the other jurisdictions. Bankruptcy taxpayers are excluded from the transmittals. Collected interest is transmitted, but penalty is not.
 - E-89 TIMS must be able to reverse an assessment and thereby create a negative amount on the transmittal so that NC gets back what was incorrectly distributed.
 - E-90 TIMS must be able to print a copy of the tax return from TIMS as it was filed, and print "certified" on the copy. The copy must be available upon request, and always sent with an assessment.
 - E-91 TIMS must be able to create assessments and issue refunds to the jurisdictions based on the transmittal using the transmittal date, with no penalty or interest included. Jurisdictions will be on TIMS as taxpayers.
 - E-92 The Department sends data to the other jurisdictions for NC taxpayers, and receives data from the same jurisdictions for their taxpayers. TIMS must be able to net the two amounts together before creating the refund or assessment to the other jurisdictions.
 - E-93 Jurisdictions can change their tax rates in the middle of a quarter. TIMS must handle rate changes when the return is filed.
 - E-94 TIMS must be able to issue licenses with specific decal numbers as physical decals are assigned to taxpayers.
 - E-95 TIMS must have the FEIN or SSN on the license, as well as the account ID, decal number(s), taxpayer name and address. Licenses are for one calendar year and must have the year printed on the license. The size and specs for the license

must be established based on IFTA Inc specifications, including different wording for different license types.

- E-96 TIMS must be able to store a table of decal numbers for each DOR office that is updated by the user as stock is given to the state and distributed to the local offices.
- E-97 If a taxpayer re-orders additional decals, TIMS must reprint a new license with the new decal numbers only – not ALL numbers. TIMS must be able to store each license that is issued for the period.
- E-98 If the taxpayer does not file a return, TIMS must issue assessments based on decal data (e.g., number of decals).
- E-99 Before issuing licenses and decals, TIMS must check other tax schedules for outstanding debt. If any is found, a workflow item and notice must be created instead of issuing the license and decals.
- E-100 TIMS must interface with the DOT FuelTaCS system. DOR sends final bills plus collection fee and collections amounts to DOT.
- E-101 If DOR receives a return and there is not a license on TIMS, TIMS must flag the taxpayer, create a notice, and hold the refund until license and decals are issued.
- E-102 If a taxpayer files four (4) consecutive quarters of no activity or intrastate only, TIMS must flag the account and not issue IFTA decals for the next period unless manually approved by an authorized user.

Motor Fuels Tax Requirements

Overview: North Carolina is a “tax at the rack” state. We have IRS approved terminals. Fuels come by pipeline from refineries to the terminals, which is interstate commerce, and North Carolina taxes the fuels as they leave the terminal. North Carolina has 50 suppliers who pay about 95% of motor fuels taxes. Need load by load detail for each load that leaves the terminal on the return. The tax rate is adjustable every six (6) months. Three types of returns are processed, with about 19 different form types: supplier, importer, bio-diesel.

- E-103 TIMS must assess a \$50 penalty for taxpayers who don't file an information only return even though no tax is due.
- E-104 Motor Fuels has a product type that is similar to tax type for other accounts. All financial activity must be tracked by product type. TIMS must track penalty, collections and interest by product type, just as it does by tax type (e.g., Corporate Income and Franchise).



- E-105 Sometimes a refund for motor fuels must be reduced by the amount of Sales Tax paid. So, on \$1000 refund, if \$200 was off-road use, the taxpayer must pay Sales Tax on the \$200. The amount is computed on the Motor Fuels form at the appropriate rate, and the Motor Fuels refund is reduced accordingly. If Sales Tax is reported and paid, a transfer must be done to Sales Tax monthly.
- E-106 TIMS must prevent the user from entering a return if a return has already been posted for that period.
- E-107 TIMS must accept refund returns (Gen 19) for any period at any time. A period can be a single day, but TIMS must not allow overlapping periods. TIMS must accumulate interest per NC statute (currently 90 days from the date the return is filed or due to be filed, whichever is later).
- E-108 TIMS must allow entry of a terminal control number for terminal operator accounts.
- E-109 TIMS must provide a means to automatically assess or refund a motor fuels taxpayer based on diversion information.

Corporate Tax Requirements

- E-110 Certain tax credits that are filed on forms in the NC478 series require the taxpayer to file for eligibility and pay a fee before taking the credits. When a taxpayer files an NC478 series form for which the fee applies, TIMS must be able to ensure that the fee has been paid or generate a workflow item per business rules for user action.

C.15 Purge and Archive

Overview

To reduce the amount of system overhead and active storage space, data that meets specific criteria must be purged or archived.

Requirements

- P-1 TIMS must allow the user to define purge and archive business rules and criteria by account type and tax period.
- P-2 Criteria can include but is not limited to period end date, balance, account end date, last activity date in the period, data to be archived/purged (by type, e.g., profile data, financials, workflow items, etc.) and any combination of the above.
- P-3 TIMS must only archive or purge complete periods. Partial periods or specific transactions from a period must not be separately purged or archived.
- P-4 For both purge and archive, TIMS must keep a user-defined summary record available for online access that includes, at a minimum, taxpayer ID/name/most recent address/phone, period dates, final balance, total payments, total refund, account type, purge or archive indicator and date purged.
- P-5 For purge, a copy of the detail data must be retained for audit trail purposes, but it does not need to be in a restorable format.
- P-6 For archive, the archived data must be retained such that a user can selectively restore it back to TIMS if needed. For example, if TIMS has archived an Individual Income tax account for 2004, and an amended return is received, the user must be able to restore the account so they can make the correct adjustment.
- P-7 If the user selects an account to be restored and the taxpayer profile information has also been archived, TIMS must automatically restore both the taxpayer profile and the account.
- P-8 The users must be able to run the purge and archive process in "non-update" mode to get statistics on number of records, run time, etc., and then have a chance to modify their criteria as needed.

Appendix D: Technical Specifications

D.1 General

1. The proposed architecture must be able to handle increased volumes of data without impacting system functionality. Current volumes are stated in Appendix E. Vendor should assume an annual growth of 10%.
2. TIMS must utilize commercially proven products (such as databases, application development tools, etc.) that minimize support issues, reduce risk, enable cost-effective future enhancements, and ongoing support.
3. TIMS must conform to the security requirements in IRS Publication 1075 and all other applicable State and federal statutes, including but not limited to N.C.G.S. 105-259 and DOR standards. Publication 1075 is available at www.irs.gov and the North Carolina General Statutes are available at www.ncleg.net.
4. TIMS must conform to NC's guidelines, including but not limited to, the State's technical architecture. These guidelines are available at <http://www.its.state.nc.us/Information/Standards.asp>.
5. The proposed architecture must be highly scalable and flexible to respond to seasonal changes in tax types and submissions composition.
6. Future releases or enhancements to TIMS must allow for the recovery and processing of all archived and current data.
7. TIMS must be open to other commercial off-the-shelf (COTS) and have application programming interfaces (API's) that can be supported by DOR staff.
8. TIMS must include automatic validation processes at all interface points to ensure that the number of records sent is the number received and vice versa.
9. At the end of all processing, TIMS must provide a data accuracy level of 99.99%.

D.2 Technical Requirements

DOR currently operates a variety of platforms used to support the department's business requirements. In designing an environment to support TIMS, the following requirements must be met or exceeded.

1. The standard DOR client server operating systems utilize AIX and SUSE Linux. The standard DOR Database Management System is DB2/UDB. DOR utilizes iPlanet and Websphere as webserver platforms. DOR prefers that TIMS be consistent with the standard environment. However, DOR is open to alternate technical approaches including, but not limited to, other Linux operating systems, other UNIX operating systems and Windows, as well as other databases such as SQLServer, Sybase, and Oracle. The current ITAS application operates on an IBM OS/Z mainframe environment located at the State's Information Technology Services Data Center in Raleigh, NC. Vendors may bid more than one technical approach. If a technical approach other than DOR's standard environment is proposed, the proposal must also include tasks and costs for the training, knowledge transfer and hands-on education needed for DOR technical personnel to be proficient in system management at the completion of the implementation.
2. DOR's standard server hardware platforms are IBM blade chassis using IBM blade servers and IBM P Series Servers. DOR prefers that TIMS supports and is installed on the standard server platforms, though DOR is open to alternate platforms.
3. DOR uses an IBM 4100 printer for volume requirements, currently attached to the mainframe environment and is located at the DOR headquarters facility. TIMS must use this printer for volume printing.
4. The proposed system must operate as part of, and be integrated into, the existing DOR environment that includes, but is not limited to:
 - Switched 100Mb Ethernet and Gigabit Ethernet Intra-office Backbone
 - TCP/IP
 - Novell LAN Servers
 - Windows Workstation/Servers
 - Internet Explorer
 - Novell Client Software
 - Nortel Switches
 - Symantec Host-based IDS
5. Where appropriate, Vendors are encouraged to leverage existing enterprise contracts already in place with the State of North Carolina.

6. TIMS must be a system that is independent of any other application system.
7. TIMS must require only those dependencies to existing systems that are absolutely necessary to exchange data or authenticate users to DOR's authentication and authorization services.
8. TIMS must be available 24 x7 for future e-business capabilities and extended business hours. It is preferred that system backups and any required batch functions be performed while TIMS is up.
9. Metrics must be available to verify system availability.
10. DOR's backup utility is Tivoli's Storage Manager (TSM). TIMS and data must be able to be backed up using this utility or the Vendor must propose another solution that is included in the technical solution recommendation and cost.
11. The technical solution must provide restart capability and procedures for all components of TIMS. The required restart time, after resolution of the cause, should be no more than 20 minutes for the complete environment.
12. Problem resolution logs must be maintained for all software components of TIMS. DOR will define the priority of any outstanding maintenance issues.
13. User and System documentation is required. Updates must be included in the cost of regular maintenance. New releases or inserts of the documents must be provided with each new release of any software component of TIMS.
14. DOR requires host based intrusion detection software (IDS) to be installed and operational on TIMS hardware. DOR will provide the IDS software and perform the installation and configuration. TIMS must be compatible with this software. All servers must be sized to support this software.
15. TIMS' operating system must have logging enabled. TIMS logs must include the system error log, SU-log (switch user log), the smit logs, the syslog (system message log), boot log, and audit logs. All log files must be maintained online for a minimum of number of days, as specified by DOR, not to exceed ten (10) days. Additionally, log files must be maintained offline for whatever period of time deemed appropriate by DOR and TIMS must have the ability to reload the files for online access. All logging parameters must be modifiable by DOR.
16. TIMS must be compatible with file-integrity checking software, such as Tripwire, or its equivalent.

17. TIMS application and database must not be accessed directly from the Internet. These services must be located on the DOR secure network, which is behind and protected by DOR's firewall.
18. No outside entity (e.g. taxpayer) must be allowed to directly connect to any TIMS services or components located on the DOR secure network.
19. All data (returns, tax schedules, etc.) must be located and stored on the DOR secure network and must not be publicly accessible.
20. If TIMS has a browser based client, DOR prefers to utilize Internet Explorer.
21. The Vendor must deliver executable code that is maintainable through software releases (i.e., DOR does not need to modify or maintain source code).
22. All software that is required for installation on the client PCs must remain compatible with DOR's standard desktop load.
23. All software products required for TIMS must conform to State version standards, which is either the current version (N) or the previous current version (N-1).
24. All batch processes must be automated and have the ability to be scheduled to execute at specified dates and times; must have the ability to be scheduled in relationship to other batch processes (predecessors); must provide error detection and notification; and must be able to execute concurrently with online processes.
25. All batch processes must provide a way to automatically bypass invalid or incorrect records and save them for later research instead of stopping the entire process for the invalid record and requiring manual intervention to restart.
26. TIMS' architecture must be fully redundant and have high availability. For disaster recovery and business continuity purposes, the Vendor should anticipate that the redundant environment would be located at a separate geographically distant location to be determined by DOR.
27. The Vendor must provide a systems development, systems test, acceptance test, training, production and production "fix" environments as part of the system configuration, installation and ongoing support.

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28. Other than development, all regions must be representative of the production environment. Also, all regions must be logically independent and activities must be able to occur in any or all regions simultaneously.
 29. TIMS must restrict users by userid from signing on to TIMS more than a specified number of times through a variable as defined by DOR.
 30. The user session must have an automatic logoff feature that activates after a variable period of user inactivity as specified by DOR.
 31. The Vendor must define and document disaster and business recovery processes for all components of TIMS so that no data that has been processed is lost.
 32. TIMS must be administered from a central point and provide easily accessible audit reports and must be able to generate Ad-Hoc reports.
 33. The Vendor must describe the tools available within TIMS for testing and debugging new releases, production problems, and other software changes.
 34. The TIMS solution must be implemented with current versions of software and an upgrade path must be kept in place to ensure that the versions are never older than N-1 (one level prior to current).
 35. Software patches must be tested and regularly implemented for the applications, OS and Database in all environment with DOR approval, during development and during post implementation support.

D.3 Authentication and Authorization

The North Carolina Identity Service (NCID) is the State of North Carolina's standard identity management and access control service. The proposed system must use NCID Model 1 for all authentication and authorization for both internal DOR employees and any future web-enabled applications provided for non-DOR users (taxpayers, DOR business partners, etc.) This will require that the proposed system integrate with NCID and accept information from NCID to determine the roles for which the user is authorized to perform. TIMS must not require that any access control information be created or stored in any system other than NCID. Information on NCID Model 1 is available at www.ncid.its.state.nc.us.

1. A single user ID must control all functions for that user without requiring multiple logins.
2. TIMS must allow for role-based access to functions, as defined by DOR.

3. When a user attempts to access the proposed system, the user must be transferred to the State's NCID system login page for authentication.
4. The standard DOR integration to NCID is through a reverse proxy. DOR prefers that the proposed system be consistent with the standard environment. However, DOR is open to alternate technical approaches for the proposed system and NCID integration.

D.4 System Administration

1. TIMS will be hosted by the State and maintained via releases provided by the Vendor.
2. All system administrative functions must be available through a graphical user interface (GUI), menu driven, or a combination of the two.
3. TIMS must provide the capability to generate system administration ad hoc query reports on the audit trail data, such as records processed, extracted, input, etc.
4. The DOR system administrator must be able to install and test new releases of software for any component. Sufficient documentation must be provided with each release to enable DOR to install the release with minimal Vendor support.
5. Errors detected at any validation point must be reported in such a way that a system administrator will know what corrective action must be taken to resolve the error.
6. Rerun and or restart capability must be clearly defined and integrated in TIMS such that the system administrator can quickly resume production operation for all components.



Appendix E: Supplemental Tax Information

Overview

The purpose of this appendix is to provide additional information about tax schedules administered by the Department and statistics that will assist the vendor in better understanding the Department's processing volumes and peak processing periods. "General Information" includes processing volumes, due dates, and revenue numbers. "Additional Information" sections were compiled by the users to help the vendor better understand some of the nuances of the Department's taxes. The information is not intended to override the requirements listed separately in this RFP.

Reference Information

For additional information about the Department, visit our website at www.dorn.com.

E.1 ITAS Processing Volumes

1. The following return and payment volumes are for the FY 2005-2006.

Tax Schedule	Number of Accounts with Returns Filed	Returns Filed	Payments	Extension s, Other
Individual Income - Joint Accounts	1,522,547			
Individual Income - Single Accounts	2,291,327			
TOTAL - Individual Income: (a)	3,813,874	4,087,756	2,183,006	818,075
Corporate Income: (b)	171,906	194,916	133,306	140,442
Corporate Franchise: (b)	173,130	196,597	111,546	147,707
Withholding	239,613	2,720,943	173,924	310,243
Sales & Use	200,802	1,457,396	541,448	48,923
Privilege License	88,749	114,167	28,696	1,561
Sub-total - Primary Schedules	4,688,074	8,771,775	3,171,926	1,466,951
Other Schedules:	25,000 (c)	186,104	40,607	33,547
GRAND TOTAL	4,713,074	8,957,879	3,212,533	1,500,498

(a): Approximately 222,600 accounts made estimated payments



Tax Schedule	Number of Accounts with Returns Filed	Returns Filed	Payments	Extensions, Other
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(b): The current system processes these schedules separately as two different accounts. In the new system, the two Corporate tax schedules will be combined into one account.
 (c): Number of accounts is estimated - not an actual count

- The following notice volumes are for five (5) calendar years, 2002 through 2006 (Note: in addition to these ITAS notices, the Department maintains over 300 different notice and letter templates using MS Word, Access, and Excel. It is anticipated that these will be consolidated somewhat when the new system is implemented):

NOTICE #	NOTICE NAME	2006	2005	2004	2003	2002
N0CP2000	CP 2000 NOTICE					
N0000101	Notice of Tax Assessment	151,463	122,368	120,616	125,211	121,513
N0000201	Notice of Individual Income Tax Assessment (Incremental)	91,985	83,062	61,938	62,762	52,625
N0000202	Notice of Individual Income Tax Assessment	217,563	199,462	204,775	160,163	166,059
N0000301	Notice of Individual Income Tax Assessment (NONVOL RAR & RAR RTN)	66,024	59,701	57,193	42,290	46,176
N0000401	Notice of Fiduciary Income Tax Assessment (Incremental)	29	1	0	1	1
N0000402	Notice of Fiduciary Income Tax Assessment	1,440	1,384	1,098	1,185	1,773
N0000501	Notice of Fiduciary Income Tax Assessment (NONVOL RAR)	0	0	0		
N0000601	Notice of Penalty Assessment	91,087	96,602	79,815	61,121	60,206
N0001001	Notice of Sales & Use Tax Assessment	111,164	114,815	105,853	84,677	98,241
N0001101	Notice of Jeopardy Tax Assessment	0	0	0		
N0001201	Notice of Adjustment (Refund)	38,644	44,649	34,669	34,364	36,989
N0001301	Notice of Individual Income Tax Adjustment (Refund)	191,832	382,357	325,499	285,167	262,009
N0001302	Notice of Individual Income Tax Adjustment (Refund)	101,558				



NOTICE #	NOTICE NAME	2006	2005	2004	2003	2002
N0001302	Notice of Individual Income Tax Adjustment (Combo Refund)	97,756				
N0001401	Notice of Fiduciary Tax Adjustment (Refund)	382	470	417	533	607
N0001501	Notice of Sales & Use Penalty Assessment	2,886	3,547	4,897	1,914	2,700
N0001601	Notice of Amended Tax Assessment	16,493	12,398	12,356	15,141	15,908
N0001701	Notice of Amended Individual Income Tax Assessment	27,489	25,662	25,583	20,493	20,633
N0001801	Notice of Amended Fiduciary Income Tax Assessment	242	305	193	303	348
N0002101	Notice of Amended Sales & Use Tax Assessment	9,682	10,069	10,110	6,889	10,422
N0002201	Final Notice of Tax Assessment	367,004	328,882	305,743	253,684	257,282
N0002301	Statement of Account	631	671	732	882	688
N0002701	Notice of Corporate Income Tax Assessment (NONVOL RAR)	26	12	18	35	54
N0002801	Notice of Amended Corp & Fran Tax Assessment (Incremental)	2,139	1,963	1,937	2,411	2,553
N0002901	Notice of Corp & Fran Tax Assessment (Incremental)	1,644	1,486	1,399	1,615	1,719
N0004001	Notice of Adjustment Sales and Use Refund-Nonprofit	445	520	162		
N0005001	Setoff Cert of Debt	0	2	1		
N0005101	Setoff Cert Of Debt (DOR)	0	1	1		
N0005201	Denial of Individual Income Tax Refund	3,742	3,546	3,535	3,856	3,325
N0005301	Penalty Waiver Letter	0	0	0		
N0005401	Penalty Waiver Denial Letter	0	0	0		
N0005601	Notification of Credit	0	8	5	5	17
N0005701	Est Tax Discrepancy Letter	0	0	0		
N0005801	Escheat Notice	11,380	10,042	9,648	10,112	10,971
N0010001	Garnishment for Taxes After Fee	107,099	103,281	74,632	22,749	52,942



NOTICE #	NOTICE NAME	2006	2005	2004	2003	2002
N0010051	Garnishment for Taxes Before Fee	103,207	89,344	73,884	44,539	59,261
N0010102	Warrant for Collection of Taxes	4,511	3,387	5,947	5,939	7,641
N0010202	Certificate of Tax Liability (CTL)	14,753	10,118	7,046	5,444	6,354
N0010301	RO Letter for Collection	19,830	109	190	215	683
N0010401	Notice of Collection Proceedings	73,389	481	7,504	111,122	296
N0010501	Garnishment Release Letter	85,335	84,664	57,409	26,356	20,134
N0010601	Certificate of Tax Liability Release Letter (CTL)	2,099	1,137	2,493	1,931	3,131
N0010701	RO Final Tax Assessment	39,307	37,218	29,542	51,436	65,798
N0010801	Notice of Intent to Offset Federal Refund	52,350	79,222	81,445	33,895	80,407
N0011001	Notice of Collection Fee and Collection Agency Referral	200,784	204,697	156,019	148,713	153,370
N0012501	Request of Payment Agreement with Return	1	0	0	2,199	4,224
N0012502	Request for Payment Plan	3,493	4,713	5,814	1,146	
N0012601	Installment Agreement	33,369	17,083	35		
N0012701	Payment Plan Installment Notice	160,352	50,097	52		
N0012901	Agreement Default Notice	16,989	5,402	78		
N0013101	Auth. Bank Draft Payment Agreement	5,454	3,468	194		
N0013001	Request for Payment Plan on Proposed Assessment	2,186	2,249	2,119	2,378	1,580
N0016001	Notice of Delinquent Corporate & Franchise Return	0	3	0		
N0016101	Corp Delinquent	42	35,455	33,414	31,658	2,112
N0016201	Withholding Delinquent Notice	180,420	194,294	178,873	176,319	148,820
N0016301	Withholding Quarterly Accelerated Recon Delinquent	15,527	10,993	23,738	8,539	21,490
N0016401	Withholding Annual Recon Delinquent	0	0	0		
N0016501	Scrap Tire Delinquent	3,232	3,428	3,386	3,200	2,839
N0016601	White Goods Delinquent	604	817	704	590	690



NOTICE #	NOTICE NAME	2006	2005	2004	2003	2002
N0016701	Sales & Use Tax Delinquent(Fail/File)	254,233	275,902	278,675	256,523	243,288
N0016801	Sales Utilities Delinquent	831	680	693	653	936
N0016901	Motor Vehicle Lease & Rental Delinquent	771	850	837	912	977
N0017001	Mecklenburg Delinquent	12	11	20	7,539	44,200
N0017101	Motor Fuels Delinq. Report Transporter	184				
N0017201	Motor Fuels Delinquent Tax Due	289	0	1,125	125	
N0017301	Mach., Equip. & Fuel Delinquent	6,671				
N0017801	Sales & Use Delinquent Notice Letter	26,581	23,056	9,878		
N0018201	RO W/H Delinquent	16,147	45,703	17,919	36,572	47,863
N0018301	RO W/H Qtr Acct. Delinquent	907	664	602	8,277	13,220
N0018501	RO Scrap Tire Delinquent	360	1,437	752	381	927
N0018601	RO White Goods Delinquent	38	191	97	32	129
N0018701	RO S&U Delinquent	16,773	74,221	41,658	29,748	64,923
N0018801	RO Sales Utilities Delinquent	77	76	113	67	94
N0018901	RO Motor Vehicle Lease & Rental Delinquent	25	88	69	129	132
N0019001	RO Mecklenburg Delinquent	0	0	0	90	825
N0019201	RO Motor Fuels Delinquent	228	55	575	41	
N0019301	RO Mach., Equip. & Fuel Delinquent	0				
N0020401	Certificate of Corporate Reinstatement	0	0	0		
N0020601	Certificate of Corporate Reinstatement-Suspended In Error	0	0	0		
N0021502	Extension Denial Letter	4,133	4,803	5,092	4,718	3,887
N0025301	Sales Closed Account Notice	6,208	5,501	6,103	6,233	8,666
N0025401	Change in Filing Frequency Notice-S&U to Monthly	1,512	1,128	5,013	791	3,300
N0025501	Change in Filing Frequency Notice-S&U to Quarterly	6,440	6,281	7,406	5,106	7,046
N0025601	Change in Filing Frequency Notice-S&U to Semimonthly	695	696	646	396	804



NOTICE #	NOTICE NAME	2006	2005	2004	2003	2002
N0025701	Change in Filing Frequency Notice-WH Qtr to Monthly	5,205	4,683	4,850	4,689	7,183
N0025801	Change in Filing Frequency Notice-WH Qtr to Semiweekly	99	82	91	82	125
N0025901	Change in Filing Frequency Notice-WH Mo to Semiweekly	2,840	2,320	1,932	1,788	2,203
N0030001	Withholding Registration	34,226	34,198	33,401	34,853	34,083
N0034101	Scrap Tire Registration	418	458	547	481	573
N0034401	White Goods Registration	117	106	151	84	78
N0034501	Mach., Equip. & Fuel Registration	1,496	97			
N0034801	Sales & Use Registration	720				
N0034901	Merchants Certificate of Registration (Sales Tax License)	32,133	34,204	34,785	35,204	35,090
N0035001	Users Registration	747	861	1,080	817	622
N0035301	Sales Utilities Registration	110	106	132	130	165
N0035901	Motor Vehicle Lease & Rental Registration	114	137	137	178	169
N0036201	Annual Wholesale License	9	6	3	11	3
N0040001	Privilege License	111,689	105,053	96,947	94,397	91,902
N0050001	Sales AWL Renewal	0	0	1	1	
N0050101	Privilege License	0	6	3	1	23
N0050102	Privilege License Renewal	115,926	107,896	103,475	100,827	107,660
N0070101	Motor Fuels License	49	47	69	46	74
	TOTAL NOTICES	3,378,076	3,177,236	2,767,588	2,485,104	2,525,761

3. The following form types are used for printing ITAS notices:

Form Name	Type Form	Form Description	Mailed To
BRSP	001	Bill of Rights on back of form - single page notices	Taxpayer
BRMP	001	Bill of Rights on back of form - multiple page notices	Taxpayer
CPSP	002	Collection Procedures on back of form - single page notices	Taxpayer



Form Name	Type Form	Form Description	Mailed To
CPMP	002	Collection Procedures on back of form - multiple page notices	Taxpayer
BBSP	003	Blank Paper: - single page notices	Taxpayer
BBSP	005	Blank Paper: - single page notices	Field Offices
BBMP	003	Blank Paper - multiple page notices	Taxpayer
BBMP	005	Blank Paper - multiple page notices	Field Offices
FCSP	004	Forced Collection G.S. on back of form - single page notices	Taxpayer
FCSP	008	Forced Collection G.S. on back of form - single page notices	Field Offices
FCMP	004	Forced Collection G.S. on back of form - multiple page notices	Taxpayer
FCMP	006	Forced Collection G.S. on back of form - multiple page notices	Field Offices
5QSP	007	WH QTR ACCDEL - single pages	Taxpayer, Field Offices
SUSP	009	Sales & Use Delinquent Form - single page notices	Taxpayer
SUSP	010	Sales & Use Delinquent Form - RO Copy notices	Field Offices
STSP	011	Plain 12 x 8.5 Stock Paper - single page notices	Taxpayer
STSP	012	Plain 12 x 8.5 Stock Paper - RO Copy notices	Field Offices

4. The following inserts are currently being manually inserted with their related notices before mailing.

Nbr	Insert Description
1	DOR-4 Envelope
2	General 21 (Tax Information Authorization)
6	Prompt Attention: notice will result in referral of your account to a collection agency
7	Affidavit & Indemnity Bond
8	Privilege License questions
9	DOR-5 Envelope
10	Forms (pertaining to taxing schedule)
11	E-502 (Sales & Use tax chart)
12	E-505 AC (General Provisions of the Sales & Use Tax Law)
13	General 562 (Post Office and Incorporated Cities or Towns)
14	E509 (order form for Sales & Use Tax Technical Bulletins and General Statutes)

Nbr	Insert Description
15	General 7 Envelope
16	Info to all Utilities, Municipalities & Firms providing electricity and intrastate Telecommunications Services)
17	General 8 Envelope
18	Withholding payment voucher information insert
19	Copy of auditors report
20	IMF-IRTF (Important information about the enclosed notice)
21	Garnishment Payment Coupon
22	Garnishment Instructions
23	TC-OE-32 Information about CP-2000
24	TC-OE-41 Information for Corporate Delinquents
25	Info for Streamline S&U Registrants

5. The following table provides a cross reference of notices with their form type and inserts:

Notice Id	Insert	Form	Comments
N0CP2000		BRSP, BRMP	Internal notice; defaults to Not Sent. Not mailed to t/p unless requested; manual mailing - not formatted for window envelope
N0000101	1	BRSP, BRMP	Used for I/I years prior to 89, WH, Corp, Fran, WG,ST,SUTL, MVLRL, AWL, S&U Reg.,MF, Priv Lic
N0000201	1	BRSP, BRMP	Incremental Assessments
N0000202	1	BRSP, BRMP	Original Assessments
N0000301	1,22	BRSP, BRMP	Adjustments Based on Federal Changes
N0000401	1	BRSP, BRMP	Incremental Assessments
N0000402	1	BRSP, BRMP	Original Assessment
N0000501		BRSP, BRMP	Adjustments Based on Federal Changes
N0000601	1	BRSP, BRMP	Failure to Pay Penalty Assessment
N0001001	1	BRSP, BRMP	Incremental and Original Assessments
N0001101		BRSP, BRMP	Procedural Issues due to Job 100 infrequently running; need local print capability. No case functions to support; case id required. Two options for variable sentences
N0001201		BRSP, BRMP	Used for I/I for years prior to 89, WH, CORP, PART, FID, FRAN, WG, ST, SUTL, MVLRL, AWL, S&U, MF, Priv Lic.
N0001302		BRSP, BRMP	Effective 3/27/2006; Includes Check/Refund Combo
N0001401		BRSP, BRMP	
N0001501		BRSP, BRMP	Sales and Use Failure to Pay Penalty Assessment
N0001601		bbbsp, bbmp	Amendment for N0000101 Notice of Tax Assessment
N0001701		bbbsp, bbmp	Amendment for Notices of Individual Income Tax Assessments
N0001801		bbbsp, bbmp	Amendment for Notices of Fiduciary Income Tax Assessments



Notice Id	Insert	Form	Comments
N0002101		bbsp, bbmp	Amendment for N0001001 S&U Tax Assessment
N0002201	1	CPSP	
N0002301		bbsp, bbmp	Lists all outstanding Final Asmnts for all acct types
N0002701	1	BRSP, BRMP	Adjustments Based on Federal Changes
N0002801		bbsp, bbmp	Amendment for N0002901
N0002901	1	BRSP, BRMP	Incremental Assessments
N0004001		BRSP, BRMP	
N0005201		Bbsp	Refund barred by statute of limitations
N0005701		Bbsp	Not being used due to functional issues on handling response from t/p.
N0005801	7	BRSP	
N0010001	21,22	FCSP, FCMP	Requested on-line or via case flow (ESC Interface); produces t/p and employer copies
N0010051	21,22	FCSP, FCMP	Requested on-line or via case flow (ESC Interface); produces t/p and employer copies
N0010102		FCSP, FCMP	Same as N0010101; effective 5/16/98
N0010202		FCSP, FCMP	Same as N0010201; effective 5/16/98
N0010301		bbsp, bbmp	Requested online or via case flow (out-of-state accounts)
N0010401	6	bbsp, bbmp	Requested online or via case flow (ESC Interface)
N0010501		FCSP, FCMP	Produces t/p and employer copies
N0010601		Bbsp	Requested via PF16 RELEASE key in F680; sent to Clerk of Court
N0010701		Bbsp	Internal Notice; Requested online or via case flow (transfer case to field organization)
N0010801	1	Bbsp	Includes Certified Mail Bar Code for certified mail
N0011001	1	bbsp, bbmp	
N0012502		Bbsp	Requested via keying Action Code 4 with return; Effective 8/8/03
N0012601		Stsp	
N0012701		bbsp	2 versions: Reminder w/ coupon; final bank draft payment w/ no coupon
N0012901		Bbsp	2 versions for different default reasons: failure to pay required amt; failure to be in compliance to file or pay
N0013001		Bbsp	Same notice as N0012502; just requested on-line
N0013101		Bbsp	
N0016101	24	BRSP	
N0016201		BRSP	
N0016301		5QSP	
N0016501		BRSP	
N0016601		BRSP	
N0016701		SUSP	
N0016801		BRSP	
N0016901		BRSP	
N0017101		BRSP	
N0017201		BRSP	
N0017301	25	BRSP	
N0017801		Stsp	Generic; not specific to a period or account type

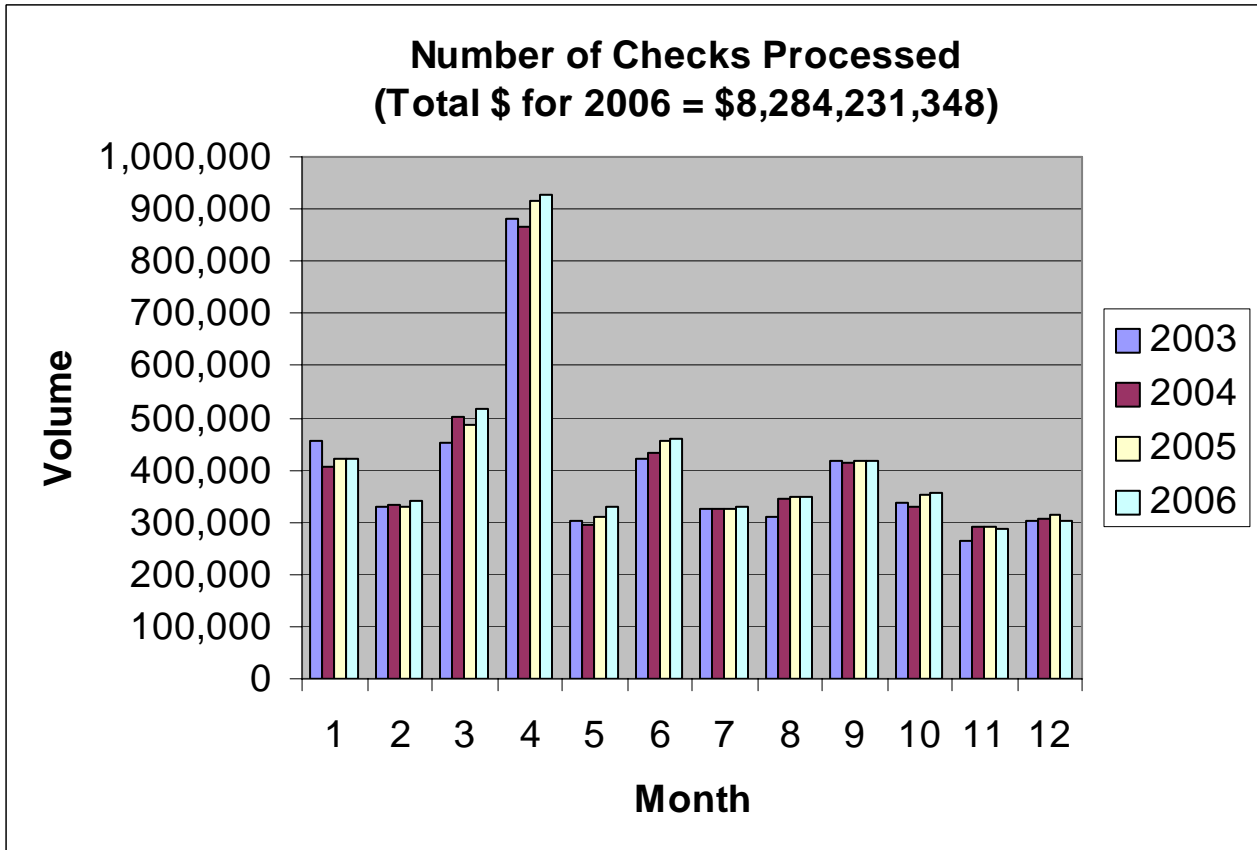


Notice Id	Insert	Form	Comments
N0018201		Bbsp	Internal Copy sent to Revenue Officer
N0018301		5QSP	Internal Copy sent to Revenue Officer
N0018501		Stsp	Internal Copy sent to Revenue Officer
N0018601		Bbsp	Internal Copy sent to Revenue Officer
N0018701		SUSP	Internal Copy sent to Revenue Officer
N0018801		Stsp	Internal Copy sent to Revenue Officer
N0018901		Bbsp	Internal Copy sent to Revenue Officer
N0019001		Bbsp	Same as N0017001
N0019201			
N0021502		Bbsp	Effective 11/5/96
N0025301		BRSP	
N0025401		Stsp	
N0025501		Stsp	
N0025601		Stsp	
N0025701		Stsp	
N0025801		Stsp	
N0025901		Stsp	
N0030001	10,18	BRSP	
N0034101	10,12,17	BRSP	
N0034401	10,12,17	BRSP	
N0034501	10,12,17	BRSP	
N0034801	10,11,12, 13,14,17, 25	BRSP	
N0034901	10,11,12, 13,14,15	BRSP	Requested on-line or as a result of adding S&U Tax acct
N0035001	10,11,12, 13,14,15	BRSP	
N0035301	10,15,16	BRSP	
N0035901	10,12,17	BRSP	
N0036201		BRSP	AWL repealed effective 7/1/98
N0040001		BRSP	
N0050001		BRSP	AWL repealed effective 7/1/98
N0050102	9	BRSP	Effective 4/01/02
N0070101		BRSP	

E.2 Payments

1. Payment volumes

a. Checks, four (4) year comparison of number of checks processed



b. Electronic Payments, FY 2006-2007 to date

EFT	Monthly total	Debits	Credits	Daily Av.
July-06 \$:	1,167,014,271.81	25,451	81,188	\$: 58.3
August-06 \$:	1,170,685,657.85	26,676	86,493	\$: 50.9
September-06 \$:	1,296,476,789.20	25,308	79,415	\$: 64.8
October-06 \$:	1,268,787,732.81	26,270	83,718	\$: 63.4
November-06 \$:	1,177,828,264.03	26,735	87,395	\$: 61.9
December-06 \$:	1,339,279,239.78	26,953	82,036	\$: 66.9
January-07 \$:	1,336,632,587.15	28,140	95,995	\$: 70.3
February-07 \$:	1,182,266,208.25	24,723	78,945	\$: 62.2
March-07 \$:	1,348,304,560.08	26,112	82,664	\$: 61.2
April-07 \$:	1,366,566,670.85	25,941	84,090	\$: 65.1
:				



EFT

Online Filing and Payments (OFP)

	Monthly total	Direct Debit :	Cr/debit card	Daily Av.
July-06 \$: :	147,883,652.24	37,390	5,586	\$: : 7.4
August-06 \$: :	145,880,934.33	38,691	8,078	\$: : 6.3
September-06 \$: :	166,780,585.82	38,729	6,385	\$: : 8.3
October-06 \$: :	157,722,985.88	43,859	7,522	\$: : 7.5
November-06 \$: :	158,071,841.38	39,632	7,299	\$: : 7.5
December-06 \$: :	178,673,829.34	39,451	5,721	\$: : 8.9
January-07 \$: :	179,983,439.68	48,325	8,124	\$: : 8.5
February-07 \$: :	150,829,066.91	41,958	7,480	\$: : 7.9
March-07 \$: :	167,439,945.86	43,578	7,198	\$: : 8.3
April-07 \$: :	190,281,671.70	56,458	14,965	\$: : 9.1

2. Miscellaneous Payment Statistics

- c. Exception checks are checks that must be researched before they can be deposited. For these checks, the taxpayer has not made a clear designation for what they are paying, and/or the check is for multiple taxpayers or accounts.
 - i. Total exception checks received in 2006: 334,719, of which 252,142 were garnishment checks (75%)
 - ii. Total exception checks received 1st qtr 2007: 89,598, of which 72,172 were garnishment checks (81%)
- d. Manual vouchers need to be created when the taxpayer sends in a check without a qualified coupon (scanline and barcode).
 - i. Total vouchers keyed in DPPD in 2006: 1,421,966 (does not include vouchers keyed by other divisions and field offices)
- e. Returned items are checks or electronic payments that have been returned by the bank for insufficient funds or some other reason. Items returned in 2006:
 - i. Checks: 8,247 (peak month May, 1,393)
 - ii. OFP items: 5,756 (peak month November, 558)
 - iii. EFT items: 491 (peak month October, 71)



E.3 Samples of Current Review and Suspense Criteria

1. Review Criteria

Code	Description	Tolerance	Action Code	Tax Schedule						
				Indiv Inc	Part	Fid	Corp Inc	Corp Fran	W/H	S&U
024	Collection/Liability Settlement	0		X	X	X				
027	On-Line Write-Off	0		X	X	X				
028	Info Generate Overpayment	0		X	X	X				
029	Bill, Case Gen. Overpayment	500		X					X	X
		0			X	X				
098	Underclaimed Refund	25,000		X						
		25					X	X		
		20			X	X				
117	Out-of-State	5,000		X	X	X				
118	Questionable Return Detail IRS	500		X						
119	Statute of Limitations	0		X	X	X				
121	Questionable Return Detail Filer	0	999	X						X
122	In-State Refund Request	5,000		X	X	X				
127	Non-Resident Partner-tax = 0	0			X					
151	Prepayment Discrepancy	500		X			X	X		
		50			X	X				
152	Bankruptcy-Refund & Act. Case	0		X	X	X	X	X	X	X
157	Prim = Tax Credit	0		X						
158	Sec = Tax Credit	0		X						
159	Part or S Corp Credit	10,000					X			
160	Wildlife cont. > Tolerance	200		X			X			
161	Candidate's Fin. Fd.	200		X						
173	Questionable Return Detail Prep	0	950	X						
174	Deceased Taxpayer	0	5	X						
175	Trouble Return	0	1	X						
176	Penalty Waiver Request	0	2	X	X	X	X	X	X	X
179	Refund Request < \$1	1		X	X	X	X	X		
182	Tax Protestor	0	8	X						
183	Offsettable Return	0	9	X						
184	Potential Offset	0		X						
185	Bankruptcy - Action Code	0	11	X	X	X	X	X	X	X
187	Return to Audit	0	12	X	X	X	X	X	X	X
188	Mod in Offset Balance	0		X						
200	Overpayment > Threshold	30							X	
		30								X
201	Balance Due > Threshold	100,000					X			
		50,000						X		



				Tax Schedule						
Code	Description	Tolerance	Action Code	Indiv Inc	Part	Fid	Corp Inc	Corp Fran	W/H	S&U
		25,000		X						
		10,000			X	X			X	X
202	Cr Claimed . Threshold	0								X
206	Asmts to EFT Filers	0								X
212	Possible Transfer	0					X			
215	Corp-Fran Refund > Tolerance	50,000					X	X		
218	Credit w/999 Filing Frequency	0							X	X
219	Corp Charter Suspended	0					X	X		
220	Corp Charter With/Diss	0					X	X		
221	Bankruptcy Rtn & Acct Case	0		X	X	X	X	X	X	X
223	Info Return Sales & Use	0								X
224	Use Tax > Threshold	500		X						
225	Amended Return	0	21	X						

2. Suspense Rules

Most suspense rules are driven based on tax form information and other tables. However, some of these rules are currently hard-coded in the front end batch program.

Nbr	Description
05	: : LN ITM ERR
06	: : INV FH INF
08	: : INEFF ACCT
10	: : ADDT F RET
11	: : EXT AFT FN
16	: : OVRLP PRDS
17	: : PERIOD DTS
20	: : ENT EXISTS
21	: : VERIFY KEY
25	: : EST AFT FN
168	: : FINLS EXST
169	: : INV REL EX
170	: : INCP SP NM
171	: : PRM NT EXS



Nbr	Description
172	: : SP NOT EXS
503	: : RECN FILED
504	: : RCN ADD LB
505	: : RCN SUB LB
506	: : NO FRN EXT
507	: : C/F EXT SU
508	: : WHACC PREV

E.4 Audit

The following information is from our Examinations Division. Information is for the fiscal year 2005/2006. Currently most of the information is manually tracked – the Department desires the information to be available on the new system via workflow and productivity reporting.

1. Audit Hours Statistics by Section and Tax Type

Section Type	Tax	Audits	Audit Hours	Amount	Return per Hour	Return per Audit
Central:	Corporate Income	1,406	3,233	14,501,614	4,485	10,314
	Franchise	9,209	3,322	4,306,655	1,296	468
	Individual Income	219,075	33,397	247,750,604	7,418	1,131
	License	94	2,336	819,303	351	8,716
	Partnership	124	125	174,401	1,395	1,406
	Sales/Use	1,637	2,941	1,765,918	600	1,079
	Withholding	927	146	6,110,764	41,855	6,592
	Gift & Inheritance	648	4,634	11,387,386	2,457	17,573
	Total		233,120	50,134	\$286,816,645	\$5,721
Eastern:	Corporate Income	107	2,138	5,023,469	2,350	46,948
	Franchise	120	1,190	448,906	377	3,741
	Individual Income	4,705	23,848	23,883,280	1,001	5,076
	License	61	839	788,808	940	12,931
	Sales/Use	1,655	47,037	25,160,786	535	15,203
	Withholding	45	624	950,312	1,523	21,118



Section Type	Tax	Audits	Audit Hours	Amount	Return per Hour	Return per Audit
	Gift & Inheritance	2	10	62,260	6,226	31,130
	Total	6,695	75,686	\$56,317,821	\$744	\$8,412
Interstate	Corporate Income	596	12,641	88,971,088	7,038	149,280
	Franchise	515	10,842	28,623,731	2,640	55,580
	Individual Income	2	83	21,503	259	10,752
	Sales/Use	617	19,631	22,826,378	1,163	36,996
	Gift & Inheritance	2	16	-	-	-
	Total	1,732	43,213	\$140,442,700	\$3,250	\$81,087
Western:	Corporate Income	134	2,203	25,341,105	11,503	189,113
	Franchise	136	2,305	7,811,989	3,389	57,441
	Individual Income	4,506	21,266	15,816,535	744	3,510
	License	26	740	1,458,698	1,971	56,104
	Sales/Use	2,388	76,797	30,998,275	404	12,981
	Withholding	38	688	858,284	1,248	22,586
	Total	7,228	103,999	82,284,886	\$791	11,384
Grand Total		248,775	273,032	\$565,862,052	\$2,073	\$2,275

2. Audit Statistics by Section

Section	No. of Audits	Net Assessments	Total Expense	Expense % (2)	Return Per Dollar (3)	# of empl.
Central Section Total	233,120	\$ 286,816,645	\$ 3,103,539	1.08	\$92.42	61.8
Durham	746	11,576,858	488,979	4.22	23.68	8.8
Elizabeth City	321	4,666,761	278,827	5.97	16.74	5.0
Fayetteville	1,258	4,534,512	416,042	9.18	10.90	7.8
Greenville	1,044	7,187,595	558,803	7.77	12.86	9.7
Raleigh	1,275	11,590,342	833,819	7.19	13.90	15.9
Rocky Mount	781	8,859,932	481,907	5.44	18.39	8.1
Wilmington	1,270	7,901,821	545,270	6.90	14.49	11.7



Section	No. of Audits	Net Assessments	Total Expense	Expense % (2)	Return Per Dollar (3)	# of empl.
Eastern Section Total	6,695	\$ 56,317,821	\$ 3,603,648	6.40	\$15.63	67.0
Interstate Section Total	1,732	\$ 140,442,700	\$ 1,956,876	1.39	\$71.77	25.8
Asheville	1,040	8,203,702	798,861	9.74	10.27	15.6
Charlotte	2,601	47,037,646	2,035,193	4.33	23.11	35.3
Greensboro	1,374	11,299,897	987,664	8.74	11.44	16.8
Hickory	922	9,436,441	551,031	5.84	17.13	9.5
Winston-Salem	1,291	6,307,200	673,046	10.67	9.37	13.0
Western Section Total	7,228	\$ 82,284,886	\$ 5,045,796	6.13	\$16.31	90.2
GRAND TOTALS	248,775	\$ 565,862,052	\$ 13,709,859	2.42	\$41.27	244.8



E.5 Collections

The following information is from our Collections Division. All information is from fiscal year 2005-2006 unless otherwise noted.

1. Statistics by Office

Office	Expenses	Collections	Average Collections per RO	Yield
Asheville	\$ 641,119.97	\$ 15,823,480.53	\$ 1,449,479.13	\$ 24.68
Charlotte	\$ 1,595,680.29	\$ 36,052,647.86	\$ 1,106,475.13	\$ 22.59
Durham	\$ 457,856.55	\$ 8,184,908.80	\$ 846,714.70	\$ 17.88
Elizabeth City	\$ 298,867.21	\$ 6,759,570.82	\$ 1,210,669.40	\$ 22.62
Fayetteville	\$ 721,271.41	\$ 17,673,709.14	\$ 1,368,287.16	\$ 24.50
Greensboro	\$ 1,010,201.44	\$ 19,545,051.78	\$ 1,000,173.23	\$ 19.35
Greenville	\$ 519,021.98	\$ 10,655,845.17	\$ 1,121,667.91	\$ 20.53
Hickory	\$ 806,991.01	\$ 15,949,840.16	\$ 1,087,489.10	\$ 19.76
Jacksonville	\$ 248,107.74	\$ 3,828,204.26	\$ 772,074.81	\$ 15.43
Raleigh	\$ 733,830.75	\$ 20,550,937.64	\$ 1,304,821.44	\$ 28.01
Rocky Mount	\$ 305,200.28	\$ 6,053,577.61	\$ 981,661.23	\$ 19.83
Wilmington	\$ 349,561.79	\$ 7,652,422.19	\$ 1,093,203.17	\$ 21.89
Winston-Salem	\$ 589,121.88	\$ 8,558,818.32	\$ 723,280.42	\$ 14.53
Total	\$ 8,276,832.30	\$ 177,289,014.28	\$ 1,100,604.33	\$ 21.42

2. Accounts Receivable

Beginning Balance	\$ 524,960,151
Net Additions	\$ 439,297,608
Net Reductions	\$ 493,252,893
Ending Balance	\$ 469,510,498



3. Bankruptcy

Dismissals:	\$13,613,591.74
Liability Settlements	49,379,653.74
RCO Bills	762,430.46
Collections	23,937,772.73
TOTAL	\$87,693,448.67
# of New Cases received for year	
Ch 7 or 7NA	11,022
Ch 13	9,317
Ch 11	270
TOTAL	20,609

4. Criminal Prosecutions

# Prosecutions	99
Collections	\$645,050

5. Collection Assistance Fee

# of Fees Assessed	157,898
Net Amt of Fee Assessed	\$ 36,129,002
Net Fee Collected	\$ 15,824,243

6. Collection Cases – Period 5/1/06 through 4/30/07

Tax Type	# Final Asmnts	Asmnt Amount	Collections
Corporate Franchise	7265	\$9,073,520.84	\$ 4,987,265.70
Corporate Income	2827	\$9,443,652.62	\$ 6,529,414.60
Individual Income	279780	\$ 348,179,817.7	\$ 172,837,454.67
Mill Machinery	153	\$ 76,337.82	\$ 681,986.23
Privilege License	9287	\$256,811.11	\$ 365,913.66
Sales & Use	60993	\$ 62,561,347.33	\$40,093,154.59
Scrap Tire	541	\$ 91,754.97	\$ 82,926.17
White Goods	20	\$ 46,566.33	\$ 10,694.83
Withholding	42745	\$32,456,704.32	\$21,148,424.11
Totals	403,611	\$ 462,186,513.06	\$ 246,737,234.56



7. Delinquency – Period 5/1/06 through 4/30/07

Tax Type	# Delinquent Periods
Sales & Use	250,795
Withholding	183,016
NC5Q	15,013
Scrap Tire	3,098
White Goods	600
Sales Utility	766
Motor Vehicle Lease	782
Mill Machinery	8,259
TOTAL	462,329

8. Total taxpayers with delinquent or collections case: 600,000

9. Federal Refund Offset Program

# Cases Referred to IRS	62,316
Balance Referred	\$114,000,000
Collected	\$8,500,000

10. Automated Installment Agreements

	# Agreements	Collections
Bank Drafts	5260	\$3,077,934
Standard	26,702	\$9,327,936

11. Jeopardy Assessments

# Assessments	721
Collections	\$10,426,362

12. Levy Program

# Referrals	187
Collections	\$3,888,569

13. Offers in Compromise

# Referrals	549
Collections	\$2,081,257



14. Responsible Corporate Officers

# Officers Assessed	497
# Assessments	3,445
Amount Assessed	\$7,500,000
Collected	\$2,200,000

15. Online Notice Payments (Note: these are a subset of total OFP payments)

IVR			
# Collections	6309	Collections	\$1,704,677
Web			
# Collections	47309	Collections	\$16,170,706

E.6 Individual Income

1. General Information

- a. Form used for filing: D-400
- b. Statutory Reference: G.S. 105-134. The general purpose of this Part is to impose a tax for the use of the State government upon the taxable income collectible annually:
 - (1) Of every resident of this State.
 - (2) Of every nonresident individual deriving income from North Carolina sources attributable to the ownership of any interest in real or tangible personal property in this State, deriving income from a business, trade, profession, or occupation carried on in this State, or deriving income from gambling activities in this State. (1939, c. 158, s. 301; 1967, c. 1110, s. 3; 1989, c. 728, s. 1.2; 1998 98, s. 69; 2005 276, s. 31.1(dd), (jj); 2005 344, s. 10.3; 2006 259, s. 8(j); 2006 264, s. 91(a).)
- c. Due Date: For most taxpayers the return is due April 15th. If properly filed under an extension, the return is due October 15th. For fiscal year filer, the return is due on the 15th day of the 4th month following the end of the taxable year. If the due date falls on a Saturday, Sunday, or holiday, the return is due on or before the next business day.

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- d. Peak Processing Considerations: Peak mail date for returns is 4/15 and 10/15. Processing peak can vary depending on type of form and whether it is a refund. Vouchers or payments received with the returns on 4/15 and 10/15 would be processed immediately. Refund processing is stopped the last two (2) weeks of April and then begins again at end of April. Zero due and tax due returns are processed after refunds. Estimated payment peak processing is 4/15, 6/15, 9/15, and 1/15.
 - e. Amended returns received annually: 80,000, with highest volumes in May-August
 - f. Annual number of setoffs to external agencies (refunds sent out to cover another agency or IRS debt): 172,907 for a total of \$37,357,310. Peak period is 3rd week in January through April (tax rush)
 - g. Number of external agency and IRS debts tracked for setoff: 1,220,919
2. Additional Information
- a. Allows husband and wife to file together on the same form
 - b. Federal taxable income is the starting point on the individual income tax return; North Carolina individual income "piggybacks" on Federal individual income.
 - c. Because FTI is the starting point on the N.C. return, taxpayers are required to make adjustments for any items included in the FTI that are treated differently for State and Federal purposes. Following are the most common adjustments:
 - Taxpayers claiming the standard deduction must add back the difference between the Federal and State standard deduction amounts
 - Taxpayers who itemize deductions must add back N.C. income tax deducted on the Federal return.
 - Taxpayers must add back the inflation adjustment that is built into the Federal exemptions but is not part of the N.C. personal exemption.
 - Taxpayers who itemized deductions in the previous year must subtract any N.C. income tax refund claimed as income on the Federal return.

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- d. Payments made on behalf of individuals by partnerships and S corporations are claimed as payments on the D-400 return in the same manner as estimated tax payments.
 - e. A deceased person who had taxable income during the part of the year he or she was living must have an individual income tax return filed for that part of the year. Income earned after the date of death is taxable to the deceased person's estate and is reported on form D-407.
 - f. A person whose income is not subject to Withholding Tax must make quarterly estimated tax payments based on the amount of income the taxpayer expects to receive. Any refund due to the taxpayer from a prior year may be credited to the estimated tax account for the current tax year.
 - g. TIMS should be able to better manage joint filers and be able to resolve discrepancies based on information coming in for each spouse separately and both spouses jointly.
 - h. TIMS needs to have better functionality for assessing and abating manual penalties.
 - i. Due to the complexity of the tax schedule, the presentation of information in TIMS and on a notice needs to look more like the actual return filed.

E.7 Corporate Tax

- 1. General Information
 - a. Peak Processing Considerations: Peak mail date for returns and extensions is 3/15 and 10/15. Again refunds are processed first as received (it is estimated that only 4% of returns requested refunds. However these refunds can be large in \$ value.) Fully paid returns are held until later in the year after Income refund processing. Estimated for calendar year taxpayer is 4/15, 6/15, 9/15, 12/15. Fiscal year taxpayer is the 15th day of the 4, 6, 9, 12 month of the taxable year.
 - b. Due dates: Vary widely as many corporations have fiscal years. For calendar year filers, due date is 3/15.
 - c. Amended returns received annually: 10,500, with Sept – April highest volumes
- 2. Additional Information

- a. The taxpayer files one return that includes two (2) different tax schedules, Corporate Income and Franchise. ITAS cannot process more than one tax schedule in an account, so two (2) accounts for each corporation are perceived to be one tax schedule to the taxpayer. This means the taxpayer receives two (2) notices, and the user must bounce back and forth between the two (2) accounts when assisting the taxpayer. Also, manual adjustments and transfers to keep the two (2) accounts "in sync" are cumbersome and time-consuming. The system has been modified to handle many of the problems, but much manual effort is still required.
- b. ITAS does not accept returns filed for short year periods in the current year. For example, if a taxpayer has a short period 1/1/2007 – 6/30/2007, they are required to file their return in 9/2007 but the system will not accept it. The workaround is to create a dummy return. We need the new system to accept all returns as long as the period has ended.

E.8 Withholding

1. General Information
 - a. Peak Processing Considerations: Quarterly returns and payment due 4/30, 7/31, 10/31, 1/31. Monthly returns and payments are due the following month on the 15th except December's return and payment is due Jan 31. Semiweekly payments are due at the same time they are due for the feds and matches with the company's payroll. The return for the semiweekly payment is filed quarterly and is due on by the last day of the month following the end of the quarter. Annual reconciliation returns for all taxpayers are due February 28.
 - b. Amended returns received annually: 14,500

E.9 Sales Tax

1. General Information
 - a. Peak Processing Considerations: Monthly returns and payments are due 20th day of each month for the preceding month. Quarterly returns and payments are due 1/31, 4/30, 7/31, and 10/31.
 - b. Amended returns received annually: 1,500

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2. Note: The Department would like to consolidate Sales Utilities and Sales Tax onto one form, one account in the new system.

E.10 Privilege License

1. General Information
 - a. Peak Processing Considerations: Annual license renewals are sent out in May, and due July 1.

E.11 Estates and Trusts (Fiduciary)

1. General Information
 - a. Form used for filing: D-407
 - b. Statutory Reference: G.S. 105-160.2

The tax imposed by this Part shall apply to the taxable income of estates and trusts as determined under the provisions of the Code except as otherwise provided in this Part. The taxable income of an estate or trust shall be the same as taxable income for such an estate or trust under the provisions of the Code, adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, except that the adjustments provided in G.S. 105-134.6 and G.S. 105-134.7 shall be apportioned between the estate or trust and the beneficiaries based on the distributions made during the taxable year. The tax shall be computed on the amount of the taxable income of the estate or trust that is for the benefit of a resident of this State, or for the benefit of a nonresident to the extent that the income (i) is derived from North Carolina sources and is attributable to the ownership of any interest in real or tangible personal property in this State or (ii) is derived from a business, trade, profession, or occupation carried on in this State. For purposes of the preceding sentence, taxable income and gross income shall be computed subject to the adjustments provided in G.S. 105-134.6 and G.S. 105-134.7. The tax on the amount computed above shall be at the rates levied in G.S. 105-134.2(a)(3). The tax computed under the provisions of this Part shall be paid by the fiduciary responsible for administering the estate or trust. (1989, c. 728, s. 1.38; 1989 (Reg. Sess., 1990), c. 814, s. 21; 1991, c. 689, s. 302; 1998-98, s. 69.)

- c. Due Date: For most taxpayers the return is due April 15th. If properly filed under an extension, the return is due October 15th.

For fiscal year filer, the return is due on the 15th day of the 4th month following the end of the taxable year. If the due date falls on a Saturday, Sunday, or holiday, the return is due on or before the next business day.

- d. Annual Volume Processed: 85,560
- e. Peak Processing Considerations: Same as Individual Income

2. Additional Information

- a. Taxable income is taxed at married filing separately rates on bankruptcy estates. Our system computes it at single individual rates and we have to make an adjustment to income to match the correct tax.
- b. Information on beneficiaries should be recorded by TIMS.
- c. There should be a requirement for quarterly estimated tax payments, as there is for Federal purposes.

E.12 Partnership

1. General Information

- a. Form used for filing: D-403
- b. Statutory Reference: G.S. 105-154

Information at the source returns. (c) Information Returns of Partnerships. – A partnership doing business in this State and required to file a return under the Code shall file an information return with the Secretary. A partnership that files an information return under this subsection shall furnish to each person who would be entitled to share in the partnership's net income, if distributable, any information necessary for that person to properly file a State income tax return. The information shall be in the form prescribed by the Secretary and must be furnished on or before the due date of the information return. (d) Payment of Tax on Behalf of Nonresident Owner or Partner. – If a business conducted in this State is owned by a nonresident individual or by a partnership having one or more nonresident members, the manager of the business shall report the earnings of the business in this State, the distributive share of the income of each nonresident owner or partner, and any other information required by the Secretary. The manager of the business shall pay with the return the tax on each

nonresident owner or partner's share of the income computed at the rate levied on individuals under G.S. 105-134.2(a)(3).

- c. Due Date: For most taxpayers the return is due April 15th. If properly filed under an extension, the return is due October 15th. For fiscal year filer, the return is due on the 15th day of the 4th month following the end of the taxable year. If the due date falls on a Saturday, Sunday, or holiday, the return is due on or before the next business day.
- d. Annual Volume Processed: 100,168
- e. Peak Processing Considerations: Same as Individual Income

2. Additional Information

- a. Income is reported on the Federal 1040 Individual Income tax return
- b. Known as a "Pass-Through" entity because the income passes through the partnership to the individual partners
- c. The managing partner can pay tax with the partnership return on behalf of a non-resident partner, which relieves such a partner from having to file a North Carolina individual income tax return if the partner has no other N.C. source income.
- d. Tax paid by the partnership on behalf of non-resident partners who file individual income tax returns is claimed as a credit on the D-400 returns of the partners.
- e. Tax on taxable income for nonresident partners needs to be computed by TIMS.
- f. Information on partners should be recorded by TIMS.

E.13 Gift Tax

1. General Information

- a. Form used for filing: G-600
- b. Statutory Reference: G.S. 105-188.
- c. Gift taxes; classification of beneficiaries; exemptions; rates of tax.
(a) State gift taxes, as hereinafter prescribed, are hereby levied upon the shares of the respective beneficiaries in all property within the jurisdiction of this State, real, personal and mixed, and any interest therein which shall in any one calendar year pass by gift made after March 24, 1939.

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- d. Number of Taxpayers: 6,665
 - e. Annual Volume Processed: 6,665
 - f. Due Date: The return is due on or before April 15th following the close of the calendar year in which the gift was made.
 - g. Annual Revenue: \$ 16,237,070
2. Additional Information
- a. Tax is based on the aggregate sum of the net gifts to the same donee.
 - b. Return is not an annual filed return (only in year gifts are made).
 - c. Tax is calculated on each donee separately based on their relationship to the donor (Class A, Class B, Class C).
 - d. Two exclusions: Annual exclusion, and specific lifetime (limited to \$100,000.00 to Class A).
 - e. If the tax is not paid by the donor, each donee shall be personally liable, to the extent of their respective gifts, for so much of the tax as may have been assessed, or may be assessable. The donor and donee may both have active assessments for the tax (donor entire liability and donee their respective share).

E.14 Estate Tax

1. General Information
- a. Form used for filing: A-101
 - b. Statutory Reference: G.S. 105-32.2.
- Estate tax imposed in amount equal to federal state death tax credit. (a) Tax. – An estate tax is imposed on the estate of a decedent when a federal estate tax is imposed on the estate under section 2001 of the Code and any of the following apply:
- (1) The decedent was a resident of this State at death.
 - (2) The decedent was not a resident of this State at death and owned any of the following:
 - a. Real property or tangible personal property that is located in this State.
 - b. Intangible personal property that has a tax situs in this State.

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- c. Number of Taxpayers: 1,556
 - d. Annual Volume Processed: 1,556
 - e. Due Date: The Estate tax return is due at the same time the federal estate tax return is due, which is currently nine months from the date of death.
 - f. Annual Revenue: \$ 133,483,238
2. Additional Information
- a. Form A-100
 - iv. Used for deaths prior to January 1, 1999, still active form today
 - v. Tax is computed separately for each beneficiary share of the estate
 - vi. Tax is based on the beneficiary's relationship to the decedent (class)
 - vii. Tax rate is varied based on class
 - viii. Beneficiary can be held liable for their respective share of the tax (currently there are active assessments against the estate and also against the beneficiary individually (assessments are adjusted once the tax is paid by either party))
 - ix. There are different tax calculations for in-state and out of state property
 - b. Form A-101
 - i. Form A-101 has three different returns based on date of death
 - 1. For deaths occurring on or after Jan 1, 1999 and before Jan 1, 2002
 - 2. For deaths occurring on or after Jan 1, 2002 and before Jan 1, 2005
 - 3. For deaths occurring on or after Jan 1, 2005
 - ii. Tax based on Federal Credit for State Death Taxes for deaths occurring on or after January 1, 1999 and before January 1, 2002
 - iii. Tax based on Federal Credit for State Death Taxes for deaths occurring on or after January 1, 2002 and before

January 1, 2005 without regard to the federal phase out (not adopted by the North Carolina General Assembly)

- iv. For deaths occurring on or after January 1, 2005, the amount of the North Carolina estate tax is limited to the federal estate tax that would be payable if the federal estate tax was computed without regard to the deduction for state death taxes.
- v. Due date of return based on date of death
- vi. Interest may begin any day of the year based on date of death

E.15 Consumer Use Tax

1. General Information

- a. Form used for filing: E-554 (or, reported as a line item on the D-400)
- b. Statutory Reference: G.S. 105-164.6

Complementary use tax. (a) Tax. – An excise tax at the applicable rate set in G.S. 105-164.4 is imposed on the products listed below. The applicable rate is the rate and maximum tax, if any, that would apply to the sale of the product. A product is subject to tax under this section only if it is subject to tax under G.S. 105-164.4.

 - (1) Tangible personal property purchased inside or outside this State for storage, use, or consumption in this State. This subdivision includes property that becomes part of a building or another structure.
 - (2) Tangible personal property leased or rented inside or outside this State for storage, use, or consumption in this State.
 - (3) Services sourced to this State.
- c. Number of Taxpayers: 614 taxpayers registered, not including assessed non-filers
- d. Annual Volume Processed:
 - i. Reported on individual income tax returns: 123,000
 - ii. Assessed non-filers: 500
- e. Due Date: The return is due on or before April 15th following the close of the calendar year in which the purchase was made.

-
- f. Annual Revenue:
 - i. Reported on individual income tax returns: \$ 5,355,000
 - ii. Assessed non-filers: \$ 700,000
 - 2. Additional Information:
 - a. Currently, the separate consumer use account is not used very much. If the consumer use tax line is removed from the individual income tax return, this account would be needed to track the amount of use tax collected on out of state purchases
 - b. The Sales Tax Unit uses an separate audit account to track its collections and assessments with it consumer use tax project.
 - c. It would be helpful for the new system to automatically zero the account when the return posts if the balance is just a few cents up or up to a minimal amount like \$5.00. At the present time, when the payment posts, in order for the t/p to receive a zero assessment, someone has to manually clear the account with an LIA. Taxpayers need the "0" assessment so they can know the account has been resolved.

E.16 Boat and Aircraft Use Tax

- 1. General Information
 - a. Form used for filing: E-555 (or can be reported on the Use Tax line on the D400)
 - b. Statutory Reference: G.S. 105-164.4
Tax imposed on retailers. (a) (1b) The rate of three percent (3%) applies to the sales price of each aircraft or boat sold at retail, including all accessories attached to the item when it is delivered to the purchaser. The maximum tax is one thousand five hundred dollars (\$1,500) per article.
 - c. Number of Taxpayers: 217 taxpayers registered, not including assessed non-filers
 - d. Annual Volume Processed: Assessed non-filers: 1,000
 - e. Due Date: The return is due on or before the 20th of the month following the month in which the purchase was made.
 - f. Annual Revenue: Assessed non-filers: \$ 1,100,000

E.17 Sales Tax Refund Accounts

1. Refund Claims in General
 - a. The one thing all refund account types have in common is no assessments can be generated from them and no payments can post directly to them.
 - b. If a taxpayer receives more refund than he is due either by our discovery or his, the payment he sends to cover the overage must be posted to a filing period in a sales and use account and then transferred to the refund account. A screen print of the sales and use account is made and a detailed note is written on the screen print to advise DPPD as to where the payment needs to post. Notes are also logged on the system.
 - c. A line item adjustment is made to account for the payment once it is transferred to the refund account.
 - d. If the payment could directly post to the refund account, the account could be settled much more quickly.
 - e. If an assessment could be generated from the refund account, time would be saved.
2. Governmental Entities
 - a. Account ID starts with 73
 - b. There were 924 Governmental entities at last inquiry, and 112 were local school administrative units.
 - c. Form E585 Nonprofit & Governmental Entity Claim for Refund of State and County Sales and Use Taxes posts to this account.
 - d. Some of the refunds posted to this account are for local school administrative units that are not allowed to receive a refund for the state Sales Tax. They should receive county Sales Tax only for their refunds. A special code that distinguishes these entities from the other governmental entities that also post to this account would be great.
 - e. The Federal Government refunds that post to this account have a fiscal year of Oct –Sept instead of July- June. Before these can post, someone has to manually adjust the claims by drawing a line through the filing period and writing in the July –June filing period so that ITAS will post the claim. If ITAS could accept more than just the traditional fiscal year of July-June, that would be helpful.

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3. Interstate Carrier Refunds
 - a. Account numbers start with 71
 - b. Form: E581 Interstate Carrier Claim for Refund of State and County Sales and Use Taxes
 - c. This form is filed quarterly and involves a ratio calculation.
 4. Incentive Claims for Refund
 - a. The account number used for this refund account is the same as the account number assigned to the t/p's sales and use account.
 - b. Form: E585S Incentive Claim for Refunds of State and County Sales and Use Taxes
 - c. This form has difficulty posting to ITAS without suspending. One of the main problems seems to be the lines that have to be completed for the county tier and the business type. As a workaround, a header sheet is completed for these forms with Action Code 12 and a note to return to Exam Unit employee for working manually.
 5. Business Claims for Refund
 - a. Account number used is the same as the t/p's sales and use account
 - b. Form: E588 Business Claim for Refund of State and County Sales and Use Taxes
 - c. The information from the claim is keyed by a tax technician
 - d. The form shows as a Multi Audit account on the system.
 - e. Refunds must be manually approved.

E.18 Franchise Water and Sewerage

1. General Information
 - a. Number of Taxpayers: 177
 - b. Annual Volume Processed: 708 (quarterly returns)
 - c. Due dates: April 30, July 31, October 31, January 31 (Last day of the month following the end of each calendar quarter).

2. Additional Information

- a. Currently there is no way to cross reference the Utilities Commission docket number assigned to the taxpayer with our records. A form change has been made to require the company's docket number to be included on the return, and we'd like that information to be captured on the new system. Very often taxpayers file under a different name than the one registered with the Utilities Commission. A query could be generated with name and docket number for comparison to the Utilities Commissions records. This information could greatly cut down time spent on research and compliance issues.

E.19 Cigarette and Other Tobacco Products (OTP)

1. General Information

- a. Number of Taxpayers:
- i. Distributors: 177
 - ii. Manufacturers: 22
 - iii. OTP: 353
- b. Annual Volume Processed: 768 EFT, 5,856 paper
- c. Due Dates: Monthly filers, due 20th of each month.
- d. Annual Revenue: \$240,600,783

2. Additional Information

- a. Required to track and report NPM brands, discounts, for MSA (Master Settlement Agreement)
- b. No grace dates for EFT filers
- c. Bonds are required
- d. Can have odd filing periods

E.20 Insurance (Gross Premiums)

1. General Information

- a. Number of Taxpayers: 1,650-1,700
- b. Annual volume processed: ~8,000
- c. Due dates: Returns due March 15, installments due 4/15, 6/15, 10/15

-
- d. Annual Revenue: \$440,000,000
 2. Additional Information
 - a. Money is transferred to the Department of Insurance (DOI) every month.
 - b. Taxpayers earn credits from the NC Guaranty Association that they file on their premium tax returns. This information is received from the Guaranty association in Nov/Dec.

E.21 Unauthorized Substance

1. Number of open cases: 99,161 (some with multiple taxpayers)
2. Annual number of cases opened: 4,769
3. Annual number of financial transactions (payments, refunds, etc.): 359,413
4. Annual gross revenue: \$11,532,084
5. Annual distributions to Law Enforcement:
 - a. Dollars: \$5,640,334
 - b. Number: 2700-3000
6. Annual number of refunds processed: 314
7. Annual number of collection assistance fees applied: 6,000

E.22 Mutual Burial

1. Annual Volume Processed: 90
2. Due date: March 15

E.23 Motor Fuels

1. Return and Schedule volumes from the 2004 Tracking System RFP



Return and Schedule Volumes

Returns with Schedules				
Form	Frequency	Number of Taxpayers	Annual Number of Returns	Average Schedule Detail Lines per Return
Gas-1202	Month	45	540	1,200
Gas-1203	Quarter	443	1,772	10
Gas-1204	Month	94	1,128	5,320
Gas-1210	Month	17	204	10
Gas-1219	Month	35	420	2
Gas-1239	Month	21	252	50
Gas-1252	Month	147	1,764	5
Gas-1259	Month	14	168	2
Gas-1264	Month	8	96	204
Gas-1288	Month	10	120	10
Gas-1301	Month	60	720	825
Total		894	7,184	

Returns without Schedules			
Form	Frequency	Number of Taxpayers	Annual Number of Returns
Gas-1200	Quarter	3,415	13,660
Gas-1200B	Quarter	240	960
Gas-1200C	Annual	226	226
Gas-1201	Annual	4,409	4,409
Gas-1201ME	Quarter	70	280
Gas-1206	Month	333	3,996
Gas-1209	Annual	38	38
Gas-1260	Month	6	72
General-19	Month	31	372
Total		8,768	24,013

Annual growth is projected at 3%

- For other Motor Fuels specific requirements, refer to Appendix B, Section C.14 Exceptions.

E.24 IFTA

- In January, April, July, & October of each year there are approximately 11,500 quarterly returns filed during each of these months.
- October - December there are about 27,000 renewals for decals processed

E.25 Franchise Electric

- Number of taxpayers: 40

2. Annual volume processed: 160 returns, 780 payments
3. Due date: quarterly, last day of January, April, July, October
4. Annual gross revenue: \$134,575,480

E.26 Franchise Piped Natural Gas

1. Number of taxpayers: 6
2. Annual volume processed: 24 returns, 124 payments
3. Due date: quarterly, last day of January, April, July, October
4. Annual gross revenue: \$24,603,849

E.27 Primary Forest

1. Number of taxpayers: 203
2. Annual volume processed: 812 returns, 644 payments
3. Due date: quarterly, last day of January, April, July, October

E.28 Machinery, Equipment, and Fuel

1. Number of taxpayers: 3,900
2. Annual volume processed: 37,000
3. Due dates: 68% file monthly, due 20th of each month. Others file quarterly, due the last day of January, April, July, October
4. Annual gross collections: \$11,991,983

E.29 Motor Vehicle Lease and Rental

1. Number of taxpayers: 1,100
2. Annual volume processed: 9,500
3. Due dates: 59% file monthly, due 20th of each month. Others file quarterly, due the last day of January, April, July, October
4. Annual net collections: \$78,662,603

E.30 Sales Utilities

1. Number of taxpayers: 700
2. Annual volume processed: 7,600

3. Due dates: 86% file monthly, due 20th of each month. Others file quarterly, due the last day of January, April, July, October
4. Annual net collections: \$684,711,537
5. Note: The Department would like to consolidate Sales Utilities and Sales Tax onto one form, one account in the new system.

E.31 Scrap Tire Disposal

1. Number of taxpayers: 3,400
2. Annual volume processed: 24,400
3. Due dates: 40% file monthly, due 20th of each month. Others file quarterly, due the last day of January, April, July, October
4. Annual gross collections: \$13,142,842
5. Note: The Department would like to consolidate Scrap Tire disposal, white goods disposal, and dry cleaning solvent taxes into one form, one account in the new system.

E.32 White Goods Disposal

1. Number of taxpayers: 850
2. Annual volume processed: 5,400
3. Due dates: 30% file monthly, due 20th of each month. Others file quarterly, due the last day of January, April, July, October
4. Annual gross collections: \$4,926,720
5. Note: The Department would like to consolidate Scrap Tire disposal, white goods disposal, and dry cleaning solvent taxes into one form, one account in the new system.

E.33 Installment Paper

1. Number of taxpayers: 200
2. Due dates: Quarterly, due the last day of January, April, July, October
3. Annual Revenue: \$21,500,000

E.34 Banks

1. Number of taxpayers: 100
2. Due dates: Annual, July 1st

3. Annual Revenue: \$8,000,000

E.35 Newsprint

1. Number of taxpayers: 60
2. Due dates: Annual, January 31st
3. Annual Revenue: \$1,500
4. Note: Tax may be obsolete, so may not be collected after this year

E.36 Real Estate Conveyance

1. Number of taxpayers: 100 North Carolina counties
2. Due dates: Monthly, due the 15th of the month
3. Annual Revenue: 2006 - \$76,000,000; 2005 - \$62,000,000; 2004 - \$54,000,000
4. Note: penalty and interest are not assessed, per statute

E.37 Dry Cleaning Solvent

1. Number of taxpayers: 10
2. Due dates: Monthly, due the 15th of the month
3. Annual Revenue: \$750,000
4. Note: The Department would like to consolidate Scrap Tire disposal, white goods disposal, and dry cleaning solvent taxes into one form, one account in the new system.

E.38 Alcoholic Beverage

1. General Information
 - a. Number of accounts (some taxpayers have more than one account): 1,750
 - b. Due dates: Monthly, due the 15th of the month
 - c. Annual revenue: \$241,533,477
 - d. Number of returns processed: 5,220
2. Additional Information
 - a. Separate accounts are created for tax types Beer, ABC Boards, Unfortified, Fortified, and non-residents. Also, separate accounts

are created for EFT vs. not EFT for each tax type except non-residents

- b. Tax rates
 - i. Beer – 53.177c per gallon
 - ii. Fortified Wine – 24c per liter
 - iii. Unfortified Wine – 21c per liter
 - iv. Spirituous Liquor – state excise tax 25% on liquor sold in ABC stores

E.39 Amusements

- 1. General Information
 - a. Number of accounts: 600
 - b. Due dates: Monthly, due the 10th of the month; quarterly, and annual
 - c. Annual revenue: \$73,828,308 average
 - d. Annual number of returns processed: 7,500 – 8,000
- 2. Additional Information
 - a. Separate accounts are created for movies and gross receipts tax types.
 - b. Taxpayers can also file seasonally



Appendix F: Contract Forms

Certifications And Assurances Form

_____ (Company) hereby certifies that:

All prices have been achieved without any collusion, consultation, communication or agreement with any other contractor or competitor, nor is otherwise in violation of Federal or North Carolina antitrust laws.

It will not discuss or otherwise reveal technical or cost information contained in its proposal to North Carolina Department of Revenue to any other source, government or private, until after award of the contract.

It will comply with the Civil Rights Act to the end that no person shall, on the grounds of age, creed, sex or origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under this contract.

It complies with the nondiscrimination clause contained in Section 202 Executive Order 11246, as amended by Executive Order 11375, relating to Equal Employment Opportunity for all persons without regard to race, color, religion, sex, age or national origin and the implementing origin and the implementing rules and regulations prescribed by the Secretary of Labor.

It complies with the Program for Employment of the Handicapped (Affirmative Action): Regulations issued by the Secretary of Labor of the United States in Title 20, Part 741, Chapter VI, Subchapter "c" of the Code of Federal Regulations, pursuant to the provisions of Executive Order 11758, Section 503 of the Federal Rehabilitation Act of 1973, and Americans with Disabilities Act of 1992.

It has not communicated with any State staff member regarding clarification of the RFP, except as provided in Section 5.

(Name)

(Title)

(Company)

(Date)

Acknowledgement of Compliance with Revenue Laws

The Department of Revenue is charged with administering the Revenue Laws of North Carolina and collecting the taxes imposed by those statutes. To perform this duty, the Department must maintain the highest degree of public trust and the personal conduct of its employees must be above reproach. As a service contractor at the North Carolina Department of Revenue, you must maintain this same level of personal conduct. You are expected to fully comply with the Revenue Laws of North Carolina and file all applicable returns, including registration and licensing requirements, in a timely manner.

Contractor Acknowledgement:

I have read the above policy and understand that failure to comply with this policy can result in my termination of employment as a service provider, or in disqualification of my consideration as a possible future provider.

Printed Name: _____

Signature: _____

North Carolina Department of Revenue
Agreement for the Protection of Confidential Tax Information

NC General Statute 105

§ 105-259. Secrecy required of officials; penalty for violation.

(a) Definitions. – The following definitions apply in this section:

(1) **Employee or officer.** – The term includes a former employee, a former officer, and a current or former member of a State board or commission.

(2) **Tax information.** – Any information from any source concerning the liability of a taxpayer for a tax, as defined in G.S. 105-228.90. The term includes the following:

- a. Information contained on a tax return, a tax report, or an application for a license for which a tax is imposed.
- b. Information obtained through an audit of a taxpayer or by correspondence with a taxpayer.
- c. Information on whether a taxpayer has filed a tax return or a tax report.
- d. A list or other compilation of the names, addresses, social security numbers, or similar information concerning taxpayers

The term does not include (i) statistics classified so that information about specific taxpayers cannot be identified, (ii) an annual report required to be filed under G.S. 55-16-22 or (iii) the amount of tax refunds paid to a governmental entity listed in G.S. 105-164.14(c) or to a State agency.

(b) Disclosure Prohibited.

An officer, an employee, or an agent of the State who has access to tax information in the course of service to or employment by the State may not disclose the information to any other person unless the disclosure is made for one of the following purposes:

- (1) To comply with a court order, and administrative law judge's order in a contested tax case, or a law.
- (2) Review by the Attorney General or a representative of the Attorney General.
- (3) To exchange the following types of information with a tax official of another jurisdiction if the laws of the other jurisdiction allow it to provide similar tax information to a representative of this State:
 - a. Information to aid the jurisdiction on collecting a tax imposed by this State or the other jurisdiction.
 - b. Information needed for statistical reports and revenue estimates.

- (4) To provide a governmental agency or an officer of an organized association of taxpayers with a list of taxpayers who have paid a privilege license tax under Article 2 of this Chapter.
- (5) To furnish to the chair of a board of county commissioners information on the county sales and use tax.
- (5a) Reserved.
- (5b) To furnish to the finance officials of a city a list of the utility taxable gross receipts and piped natural gas tax revenues attributable to the city under G.S. 105-116.1 and G.S. 105-187.44 or under former G.S. 105-116 and G.S. 105-120.
- (5c) To provide the following information to a regional public transportation authority or a regional transportation authority created pursuant to Article 26 or Article 27 of Chapter 160A of the General Statutes on an annual basis, when the information is needed to enable the authority to administer its tax laws:
 - a. The name, address, and identification number of retailers who collect the tax on leased vehicles imposed by G.S. 105-187.5.
 - b. The name, address, and identification number of a retailer audited by the Department of Revenue regarding the tax on leased vehicles imposed by G.S. 105-187.5, when the Department determines that the audit results may be of interest to the authority.
- (5d) To provide the following information to a county or city on an annual basis, when the county or city needs the information for the administration of its local prepared food and beverages tax or room occupancy tax:
 - a. The name, address, and identification number of retailers who collect the sales and use taxes imposed under Article 5 of this Chapter and may be engaged in a business subject to a local prepared food and beverages tax or room occupancy tax.
 - b. The name, address, and identification number of a retailer audited by the Department of Revenue regarding the sales and use taxes imposed under Article 5 of this Chapter, when the Department determines that the audit results may be of interest to the county or city in the administration of its local prepared food and beverages tax or room occupancy tax.
- (6) To sort, process, or deliver tax information on behalf of the Department of Revenue.
- (6a) To furnish the county or city official designated under G.S. 105-164.14(f) a list of claimants that have received a refund of the county sales or use tax to the extent authorized in G.S. 105-164.14(f).
- (7) To exchange information with the Division of the State Highway Patrol of the Department of Crime Control and Public Safety, the Division of Motor Vehicles of the Department of Transportation, the International Fuel Tax Association, Inc., or the Joint Operations Center for National Fuel Tax Compliance when the

information is needed to fulfill a duty imposed on the Department of Revenue, the Division of the State Highway Patrol of the Department of Crime Control and Public Safety, or the Division of Motor Vehicles of the Department of Transportation.

- (7a) To furnish the name and identifying information of motor carriers whose licenses have been revoked to the administrator of a national criminal justice system database that makes the information available only to criminal justice agencies and public safety organizations.
- (8) To furnish to the Department of State Treasurer, upon request, the name, address, and account and identification numbers of a taxpayer who may be entitled to property held in the Escheat Fund.
- (9) To furnish to the Employment Security Commission the name, address, and account and identification numbers of a taxpayer when the information is requested by the Commission in order to fulfill a duty imposed under Article 2 of Chapter 96 of the General Statutes.
- (9a) To furnish information to the Employment Security Commission to the extent required for its NC WORKS study of the working poor pursuant to G.S. 108A-29(r). The Employment Security Commission shall use information furnished to it under this subdivision only in a no identifying form for statistical and analytical purposes related to its NC WORKS study. The information that may be furnished under this subdivision is the following with respect to individual income taxpayers, as shown on the North Carolina income tax forms:
 - a. Name, social security number, spouse's name, spouse's social security number, and county of residence.
 - b. Filing status and federal personal exemptions.
 - c. Federal taxable income, additions to federal taxable income, and total of federal taxable income plus additional income.
 - d. Income while a North Carolina resident, total income from North Carolina sources while a nonresident, and total income from all sources.
 - e. Exemption for children, nonresidents' and part-year residents' exemption for children, and credit for children.
 - f. Expenses for child and dependent care, portion of expenses paid while a resident of North Carolina, portion of expenses paid while a resident of North Carolina that was incurred for dependents who were under the age of seven and dependents who were physically or mentally incapable of caring for themselves, credit for child and dependent care expenses, other qualifying expenses, credit for other qualifying expenses, total credit for child and dependent care expenses.
- (10) Review by the State Auditor to the extent authorized in G.S. 147-64.7.
- (11) To give a spouse who elects to file a joint tax return a copy of the return or information contained on the return.

- (11a) To provide a copy of a return to the taxpayer who filed the return.
- (11b) In the case of a return filed by a corporation, a partnership, a trust, or an estate, to provide a copy of the return or information on the return to a person who has a material interest in the return if, under the circumstances, section 6103(e)(1) of the Code would require disclosure to that person of any corresponding federal return or information.
- (11c) In the case of a return of an individual who is legally incompetent or deceased, to provide a copy of the return to the legal representative of the estate of the incompetent individual or decedent.
- (12) To contract with a financial institution for the receipt of withheld income tax payments under G.S. 105-163.6 or for the transmittal of payments by electronic funds transfer.
- (13) To furnish the following to the Fiscal Research Division of the General Assembly, upon request:
 - a. A sample, suitable in character, composition, and size for statistical analyses, of tax returns or other tax information from which taxpayers' names and identification numbers have been removed.
 - b. An analysis of the fiscal impact of proposed legislation.
- (14) To exchange information concerning a tax imposed by Subchapter V of this Chapter with the Standards Division of the Department of Agriculture and Consumer Services when the information is needed to administer the Gasoline and Oil Inspection Act, Article 3 of Chapter 119 of the General Statutes.
- (15) To exchange information concerning a tax imposed by Articles 2A, 2C, or 2D of this Chapter with one of the following agencies when the information is needed to fulfill a duty imposed on the Department or the agency:
 - a. The North Carolina Alcoholic Beverage Control Commission.
 - b. The Division of Alcohol Law Enforcement of the Department of Crime Control and Public Safety.
 - c. The Bureau of Alcohol, Tobacco, and Firearms of the United States Treasury Department.
 - d. Law enforcement agencies.
 - e. The Division of Community Corrections of the Department of Correction.
- (15a) To furnish to the head of the appropriate State or federal law enforcement agency information concerning the commission of an offense under the jurisdiction of that agency discovered by the Department during a criminal investigation of the taxpayer.
- (16) To furnish to the Department of Secretary of State the name, address, tax year end, and account and identification numbers of a corporation liable for corporate income or franchise taxes or of a limited liability company liable for a corporate or a partnership tax return to enable the Secretary of State to notify the

corporation or the limited liability company of the annual report filing requirement or that its articles of incorporation or articles of organization or its certificate of authority has been suspended.

- (16a) To provide the North Carolina Self-Insurance Security Association information on self-insurers' premiums as determined under G.S. 105-228.5(b), (b1), and (c) for the purpose of collecting the assessments authorized in G.S. 97-133(a).
- (17) To inform the Business License Information Office of the Department of Commerce of the status of an application for a license for which a tax is imposed and of any information needed to process the application.
- (18) To furnish to the Office of the State Controller the name, address, and account and identification numbers of a taxpayer upon request to enable the State Controller to verify statewide vendor files or track debtors of the State.
- (19) To furnish to the North Carolina Industrial Commission information concerning workers' compensation reported to the Secretary under G.S. 105-163.7.
- (20) **(Repealed effective January 1, 2012)** To furnish to the Environmental Management Commission information concerning whether a person who is requesting certification of a dry-cleaning facility or wholesale distribution facility from the Commission is liable for privilege tax under Article 5D of this Chapter.
- (21) To exchange information concerning the tax on piped natural gas imposed by Article 5E of this Chapter with the North Carolina Utilities Commission or the Public Staff of that Commission.
- (22) To provide the Secretary of Administration pursuant to G.S. 143-59.1 a list of vendors and their affiliates who meet one or more of the conditions of G.S. 105-164.8(b) but refuse to collect the use tax levied under Article 5 of this Chapter on their sales delivered to North Carolina.
- (23) To provide public access to a database containing the names and account numbers of taxpayers who are not required to pay sales and use taxes under Article 5 of this Chapter to a retailer because of an exemption or because they are authorized to pay the tax directly to the Department of Revenue.
- (24) To furnish the Department of Commerce and the Employment Security Commission a copy of the qualifying information required in G.S. 105-129.7(b) or G.S. 105-129.86(b).
- (25) To provide public access to a database containing the names of retailers who are registered to collect sales and use taxes under Article 5 of this Chapter.
- (26) To contract for the collection of tax debts pursuant to G.S. 105-243.1.
- (27) To provide a report required under this Chapter.
- (28) To exchange information concerning a tax credit claimed under Article 3E of this Chapter with the North Carolina Housing Finance Agency.

- (29) To provide to the Economic Investment Committee established pursuant to G.S. 143B-437.48 information necessary to implement Part 2F of Article 10 of Chapter 143B of the General Statutes.
- (30) To prove that a business does not meet the definition of "small business" under Article 3F of this Chapter because the annual receipts of the business, combined with the annual receipts of all related persons, exceeds the applicable amount.
- (31) **(Repealed for business activities occurring in taxable years beginning on or after January 1, 2020)** To verify with a related entity or strategic partner information relating to that entity provided by a taxpayer claiming a credit under Article 3G of this Chapter.
- (32) Repealed by Session Laws 2006-162, s. 4(c), as amended by Session Laws 2007-527, s. 24, effective July 24, 2006.
- (33) To provide to the North Carolina State Lottery Commission the information required under G.S. 18C-141.
- (34) To exchange information concerning a tax credit claimed under G.S. 105-130.47 or G.S. 105-151.29 with the North Carolina Film Office of the Department of Commerce and with the regional film commissions.
- (35) To furnish to a taxpayer claiming a credit under Article 3G of this Chapter information from a related entity or strategic partner to the extent that information was used by the Secretary to adjust the amount of tax credit claimed by the taxpayer.
- (36) To furnish to a taxpayer claiming a credit under G.S. 105-130.47 or G.S. 105-151.29 information used by the Secretary to adjust the amount of the credit claimed by the taxpayer.
- (37) To furnish the Department of Commerce with the information needed to complete the studies required under G.S. 105-129.2A and G.S. 105-129.82.
- (38) **(Effective for taxable years beginning on or after January 1, 2008)** To verify with a nonprofit organization information relating to eligibility for a credit under G.S. 105-129.16H

(c) Punishment.

A person who violates this section is guilty of a Class 1 misdemeanor. If the person committing the violation is an officer or employee, that person shall be dismissed from public office or public employment and may not hold any public office or public employment in this State for five years after the violation. (1939, c. 158, s. 928; 1951, c. 190, s. 2; 1973, c. 476, s. 193; c. 903, s. 4; c. 1287, s. 13; 1975, c. 19, s. 29; c. 275, s. 7; 1977, c. 657, s. 6; 1979, c. 495; 1983, c. 7; 1983 (Reg. Sess., 1984), c. 1004, s. 3; c. 1034, s. 125; 1987, c. 440, s. 4; 1989, c. 628; c. 728, s. 1.47; 1989 (Reg. Sess., 1990), c. 945, s. 15; 1993, c. 485, s. 31; c. 539, s. 712; 1994, Ex. Sess., c. 14, s. 51; c. 24, s. 14(c); 1993 (Reg. Sess., 1994), c. 679, s. 8.4; 1995, c. 17, s. 11; c. 21, s. 2; 1997-118, s. 6; 1997-261, s. 14; 1997-340, s. 2;

1997-392, s. 4.1; 1997-475, s. 6.11; 1998-22, ss. 10, 11; 1998-98, ss. 13.1(b), 20; 1998-139, s. 1; 1998-212, s. 12.27A(o); 1999-219, s. 7.1; 1999-340, s. 8; 1999-341, s. 8; 1999-360, s. 2.1; 1999-438, s. 18; 1999-452, s. 28.1; 2000-120, s. 8; 2000-173, s. 11; 2001-205, s. 1; 2001-380, s. 5; 2001-476, s. 8(b); 2001-487, ss. 47(d), 123; 2002-87, s. 7; 2002-106, s. 5; 2002-172, s. 2.3; 2003-349, s. 4; 2003-416, s. 2; 2004-124, s. 32D.3; 2004-170, s. 23; 2004-204, 1st Ex. Sess., s. 4; 2005-276, ss. 31.1(cc), 39.1(c), 7.27(b); 2005-400, s. 20; 2005-429, s. 2.13; 2005-435, ss. 32(b), 32(c), 37, 48; 2006-162, s. 4(c); 2006-196, s. 11; 2006-252, s. 2.21; 2007-397, s. 13(d); 2007-491, s. 38; 2007-527, ss. 24, 33, 34, 35, 36.)

IRC SEC. 6103. CONFIDENTIALITY AND DISCLOSURE OF RETURNS AND RETURN INFORMATION.

(a) GENERAL RULE. Returns and return information shall be confidential, and except as authorized by this title

(1) no officer or employee of the United States,
(2) no officer or employee of any State, any local child support enforcement agency, or any local agency administering a program listed in subsection (1) (7) (D) who has or had access to returns or return information under this section, and (3) no other person (or officer or employee thereof) who has or had access to returns or return information under subsection (c)(1)(D)(iii), paragraph (6) or (12) of subsection (1), paragraph (2) or (4)(B) of subsection (in), or subsection (n), shall disclose any return or return information obtained by him in any manner in connection with his service as such an officer or an employee or otherwise or under the provisions of this section. For purposes on this subsection, the term "officer or employee" includes a former officer or employee.

(b) DEFINITIONS. For purposes of this section

(1) **Return.** -The term "return" means any tax or information return, declaration of estimated tax, or claim for refund required by, or provided for or permitted under, the provisions of this title which is filed with the Secretary by, on behalf of, or with respect to any person, and any amendment or supplement thereof, including supporting schedules, attachments, or lists, which are supplemental to, or part of the return filed.

(2) **Return Information.** -The term "return information" means
(A) a taxpayer's identity, the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, over assessments, or tax payments, whether the taxpayer's return was, is being, or will be examined subject to other investigation or processing, or any other data, received by, recorded by, prepared by, furnished to, or collected by the Secretary with respect to a return

or with respect to the determination of the existence, or possible existence, of liability (or the amount thereof) of any person under this title for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense, and

(B) any part of any written determination or any background file document relating to such written determination [as such terms are defined in section 6110(b)] which is not open to the public inspection under 6110, but such term does not include data in a form which cannot be associated with, or otherwise identify, directly or indirectly, a particular taxpayer. Nothing in the preceding sentence, or in any other provision of the law, shall be construed to require the disclosure of standards used or to be used for the selection of returns for examination, or data used or to be used for determining such standards, if the Secretary determines that such disclosure will seriously impair assessment, collection, or enforcement under the internal revenue laws.

(3) **Taxpayer Return Information.**-The term "taxpayer return information" means return information as defined in paragraph (2) which is filed with, or furnished to, the Secretary by or on behalf of the taxpayer to whom such return information relates.

(4) **Tax Administration.**- The term "tax administration" means

(A)

(i) the administration, management, conduct, direction, and supervision of the execution and application of the internal revenue laws and related statutes (or equivalent laws and statutes of a State) and tax convention to which the United States is a party, and

(ii) the development and formulation of Federal tax policy relating to existing or proposed internal revenue laws, related statutes and tax conventions and

(B) includes assessments, collection, enforcement, litigation, publication and statistical gathering functions under such laws, statutes, or conventions.

(5) **State.**- The term "state" means

(A) any of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, the Canal Zone, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands, and

(B) for purposes of subsection (a)(2), (b)(4), (d)(1), (h)(4) and (p) any municipality

(i) with a population in excess of 250,000 (as determined under the most recent decennial United States census data available),

(ii) which imposes a tax on income or wages, and

(iii) with which the Secretary (in his sole discretion) has entered into an agreement regarding disclosure.

(6) **Taxpayer Identity.**- The term "taxpayer identity" means the name of a person with respect to whom a return is filed, his mailing address, his taxpayer identifying number (as described in section 6109), or a combination thereof.

(7) **Inspection.**-The terms "inspected" and "inspection" means any examination of a return or return information.

(8) **Disclosure.**- The term "disclosure" means the making known to any person in any manner whatever a return or return information.

(9) **Federal Agency.**-The term "Federal agency" means an agency within the meaning of section 551 (1) of title 5, United States Code.

(10) **Chief Executive Officer.**-The term "chief executive officer" means, with respect to any municipality, any elected official and the chief official (even if not elected) of such municipality.

EXHIBIT 2

SEC 6103(p)(4) SAFEGUARDS

(4) SAFEGUARDS. Any Federal agency described in subsection (h)(2), (h)(5), (i)(1), (2), (3), or (5), (j)(1), (2), or (5), (k)(8), (1)(1), (2), (3), (5), (10), (11), (13), (14), (15), or (17) or (o)(1), the General Accounting Office, or any agency, body, or commission described in subsection (d), (i)(3) (B)(i) or (1)(6), (7), (8), (9), (12) or (15), or (16), or any other person described in subsection (l)(16) shall, as a condition for receiving returns or return information.

(A) establish and maintain, to the satisfaction of the Secretary, a permanent system of standardized records with respect to any request, the reason for such request, and the date of such request made by or of it and any disclosure of return or return information made by or to it;

(B) establish and maintain, to the satisfaction of the Secretary, a secure area or place in which such returns or return information shall be stored;

(C) restrict, to the satisfaction of the Secretary, access to the returns or return information only to persons whose duties or responsibilities require access and to whom disclosure may be made under the provisions of this title;

(D) provide such other safeguards which the Secretary determines (and which he prescribes in regulations) to be necessary or appropriate to protect the confidentiality of the returns and return information;

(E) furnish a report to the Secretary, at such time and containing such information as the Secretary may prescribe, which describes the procedures

established and utilized by such agency, body, or commission or the General Accounting Office for ensuring the confidentiality of returns and return information required by this paragraph; and

(F) upon completion of use of such returns or return information

(i) in the case of an agency, body or commission described in subsection(d), (i) (3) (B)(i), or (1)(6), (7), (8), (9) or (16) or any other person described in subsection (l)(16) return to the Secretary such returns or return information (along with any copies made there from) or make such returns or return information undisclosable in any manner and furnish a written report to the Secretary describing such manner

(ii) in the case of an agency described in subsection (h)(2), (h)(5), (i)(1), (2), (3), or (5), (j)(1), (2), or (5), (1)(1), (2), (3), (5), (10), (11), (12), (13), (14), (15), or (17), or (o)(1), or the General Accounting Office, either

(l) return to the Secretary such returns or return information (along with any copies made there from)

(2) otherwise make such returns or return information undisclosable, or

(3) to the extent not so returned or made undisclosable, ensure that the conditions of subparagraphs (A), (B), (C), (D), and (E) of this paragraph continue to be met with respect to such returns or return information, and

(iii) in the case of the Department of Health and Human Services for purposes of subsection (m) (6), destroy all such return information upon completion of its use in providing the notification for which the information was obtained, so as to make such information undisclosable; except that conditions of subparagraph (A), (B), (C), (D), and (E) shall cease to apply with respect to any return or return information if, and to the extent that, such return or return information is disclosed in the course of any judicial or administrative proceedings and made a part of the public record thereof. If the Secretary determines that any such agency, body, or commission including an agency or any other person described in subsection (l)(16) or the General Accounting Office has failed to, or does not, meet requirements of this paragraph, he may, after any proceedings for review established under paragraph (7), take such actions as are necessary to ensure such requirements are met, including refusing to disclose returns, or return information to such agency, body, or commission including an agency or any other person described in subsection (l)(16) or the General Accounting Office until he determines that such requirements have been or will be met. In the case of any agency which receives any mailing address under paragraph (2), (4), (6) or (7) of subsection (m) and which discloses any such mailing address to any agent, or which receives any information under paragraph (6)(A), 12(B) or (16) of subsection (1) and which discloses any such information to any agent or any person including an agent described in subsection

(l)(16) this paragraph shall apply to such agency and each such agent or other person (except that, in the case of an agent, or any person including an agent described in subsection (l)(16), any report to the Secretary or other action with respect to the Secretary shall be made or taken through such agency). For

purposes of applying this paragraph in any case to which subsection (m)(6) applies, the term "return information" includes related blood donor records (as defined in section 114(h)(2) of the Social Security Act).

IRC SEC. 7213 UNAUTHORIZED DISCLOSURE OF INFORMATION.

(a) RETURNS AND RETURN INFORMATION.

(1) FEDERAL EMPLOYEES AND OTHER PERSONS. It shall be unlawful for any officer or employee of the United States or any person described in section 6103(n) (or an officer or employee of any such person), or any former officer or employee, willfully to disclose to any person, except as authorized in this title, any return or return information [as defined in section 6103(b)]. Any violation of this paragraph shall be a felony punishable upon conviction by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution, and if such offense is committed by any officer or employee of the United States, he shall, in addition to any other punishment, be dismissed from office or discharged from employment upon conviction for such offense.

(2) STATE AND OTHER EMPLOYEES. It shall be unlawful for any person [not described in paragraph (1)] willfully to disclose to any person, except as authorized in this title, any return or return information [as defined in section 6103(b)] acquired by him or another person under subsection (d), (i)(3)(B)(i), (1)(6), (7), (8), (9), (10), (12), (15) or (16) or (m)(2), (4), (5), (6), or (7) of section 6103. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the cost of prosecution.

(3) OTHER PERSONS. It shall be unlawful for any person to whom any return or return information [as defined in section 6103(b)] is disclosed in a manner unauthorized by this title thereafter willfully to print or publish in any manner not provided by law any such return or return information. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the cost of prosecution.

(4) SOLICITATION. It shall be unlawful for any person willfully to offer any item of material value in exchange for any return or return information [as defined in 6103(b)] and to receive as a result of such solicitation any such return or return information. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the cost of prosecution.

(5) SHAREHOLDERS. It shall be unlawful for any person to whom return or return information [as defined in 6103(b)] is disclosed pursuant to the provisions of 6103(e)(1)(D)(iii) willfully to disclose such return or return information in any manner not provided by law. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding \$5,000, or imprisonment of not more than 5 years, or both, together with the cost of prosecution.

SEC. 7213A. UNAUTHORIZED INSPECTION OF RETURNS OR RETURN INFORMATION

(a) PROHIBITIONS.

(1) FEDERAL EMPLOYEES AND OTHER PERSONS. It shall be unlawful for (A) any officer or employee of the United States, or (B) any person described in section 6103(n) or an officer willfully to inspect, except as authorized in this title, any return or return information.

(2) STATE AND OTHER EMPLOYEES. It shall be unlawful for any person [not described in paragraph (1)] willfully to inspect, except as authorized by this title, any return information acquired by such person or another person under a provision of section 6103 referred to in section 7213(a)(2).

(b) PENALTY.

(1) IN GENERAL. Any violation of subsection (a) shall be punishable upon conviction by a fine in any amount not exceeding \$1000, or imprisonment of not more than 1 year, or both, together with the costs of prosecution.

(2) FEDERAL OFFICERS OR EMPLOYEES. An officer or employee of the United States who is convicted of any violation of subsection (a) shall, in addition to any other punishment, be dismissed from office or discharged from employment.

(c) DEFINITIONS. For purposes of this section, the terms "inspect", "return", and "return information" have respective meanings given such terms by section 6103(b).

IRC SEC. 7431 CIVIL DAMAGES FOR UNAUTHORIZED DISCLOSURE OF RETURNS AND RETURN INFORMATION.

(a) IN GENERAL.

(1) INSPECTION OR DISCLOSURE BY EMPLOYEE OF UNITED STATES. If any officer or employee of the United States knowingly, or by reason of negligence, inspects or discloses any return or return information with respect to a taxpayer in violation of any provision of section 6103, such taxpayer may bring a civil action for damages against the United States in a district court of the United States.

(2) INSPECTION OR DISCLOSURE BY A PERSON WHO IS NOT AN EMPLOYEE OF UNITED STATES. If any person who is not an officer or employee of the United

States knowingly, or by reason of negligence, inspects or discloses any return or return information with respect to a taxpayer in violation of any provision of section 6103, such taxpayer may bring a civil action for damages against such person in a district court of the United States.

(b) EXCEPTIONS.

No liability shall arise under this section with respect to any inspection or disclosure

- (1) which results from good faith, but erroneous, interpretation of section 6103, or
- (2) which is requested by the taxpayer.

(c) DAMAGES.

In any action brought under subsection (a), upon a finding of liability on the part of the defendant, the defendant shall be liable to the plaintiff in an amount equal to the sum of

- (1) the greater of
 - (A) \$1,000 for each act of unauthorized inspection or disclosure of a return or return information with respect to which such defendant is found liable, or
 - (B) the sum of
 - (i) the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure, plus
 - (ii) in the case of a willful inspection or disclosure or an inspection or disclosure which is the result of gross negligence, punitive damages, plus
- (2) the cost of the action.

(d) PERIOD FOR BRINGING ACTION.

Notwithstanding any other provision of law, an action to enforce any liability created under this section may be brought, without regard to the amount in controversy, at any time within 2 years after the date of discovery by the plaintiff of the unauthorized inspection or disclosure.

(e) NOTIFICATION OF UNLAWFUL INSPECTION AND DISCLOSURE.

If any person is criminally charged by indictment or information with inspection or disclosure of a taxpayer's return or return information in violation of

- (1) paragraph (1) or (2) of section 7213(a),
- (2) section 7213A(a), or
- (3) subparagraph (B) of section 1030(a)(2) of title 18, United States Code, the Secretary shall notify such taxpayer as soon as practicable of such inspection or disclosure.

(f) DEFINITIONS.

For purposes of this section, the terms "inspect", "inspection", "return" and "return information" have the respective meanings given such terms by section 6103(b).

(g) EXTENSION TO INFORMATION OBTAINED UNDER SECTION 3406.

For purposes of this section

(1) any information obtained under section 3406 (including information with respect to any payee certification failure under subsection (d) thereof) shall be treated as return information, and

(2) any inspection or use of such information other than for purposes of meeting any requirement under section 3406 or (subject to the safeguards set forth in 6103) for purposes permitted under section 6103 shall be treated as a violation of section 6103. For purposes of subsection (b), the reference to section 6103 shall be treated as including a reference to section 3406.

I have read the NC Department of Revenue Statutory Provisions posted on the Security section of the intranet under Regulations (<http://revenue/employee/security/regulations.html>) that include:

- North Carolina General Statute 105259
<http://revenue/employee/security/regulations/generalstatutes.html>
- Internal Revenue Service Statutory Provisions: Code Sections 6103, 7213 and 7431
<http://revenue/employee/security/regulations/irs.html>

with respect to the confidentiality of tax information. I understand that there are penalties provided under both State and Federal tax statutes. By signing this document, I acknowledge the applicability of these laws and agree to be bound by them. I also understand that if I view, observe or come into possession of tax information, by any means whatsoever, during the course of my employment at the North Carolina Department of Revenue, that I shall not remove such information from the premises of the Department of Revenue nor shall I disclose information to any individual who is not an employee of the North Carolina Department of Revenue. I understand that I am forbidden to show or tell people outside the Department of Revenue any information from tax returns. I may not obtain information for any friends, neighbors, or relatives. I may not talk about confidential tax matters at home or outside my work group, during coffee or lunch breaks.

Signature

Printed Name

Date

Bid #: _____

Vendor: _____

TIMS Cost Proposal Form

Implementation Costs: (* Itemized list(s) attached)

Licensing *	Hardware *	Software *	Services *	Total Cost *

Ongoing Operating and Maintenance Costs:

	Year 1	Year 2	Year 3	Year 4	Year 5
Hardware Maintenance	<i>Included in above</i>				
Software Maintenance	<i>Included in above</i>				
COTS License Maintenance	<i>Included in above</i>				
Software Support/Service	<i>Included in above</i>				
Other (itemize)	<i>Included in above</i>				
TOTAL	<i>Not applicable</i>				

Proposed Milestone Payments:

	Description of Milestone/Deliverable	Payment Amount
1		
2		
3		
...		
	TOTAL	

The operating and maintenance costs are not part of the value of this procurement. However, the costs will be used in the determination of best-value as it relates to the total cost of ownership. The award of a maintenance and support contract beyond the warranty period of this contract will be negotiated at the appropriate time, using these costs (noted above) as a basis.