



MINUTES

MTC Technology Committee Meeting Doubletree Hotel Boise - Riverside Boise, ID

Monday, July 25, 2005—11:00 a.m. to 5:00 p.m. (Mountain Time)

I. Welcome and Introductions

Tim Blevins (Kansas), Committee Chair, called the meeting to order. The following members were present in person or by telephone:

<i>NAME</i>	<i>STATE/ORGANIZATION</i>
Cindy Granner	Colorado
Mark Stones	Idaho
Lee Wassmuth	Idaho
Joe Randall	Idaho
Steve Wilson	Idaho
Tim Blevins	Kansas
Larry Wilke	Minnesota
Margaret Kauska	Montana
Cynthia Mastalesz*	New Jersey
Ed Phillips	Ohio
Donna Childress	Tennessee
Gordon Smead	Tennessee
Debbie Peterson*	Texas
Frank Hales	Utah
Andrew Glancy	West Virginia
Chris Lane, Sheldon Laskin,	Multistate Tax Commission
Joe Huddleston, Harold	Multistate Tax Commission
Jennings, Frank Katz,	Multistate Tax Commission
Susan Ribe, Antonio Soto*	Multistate Tax Commission

** by phone*

II. Public Comment Period

There were no members of the public present.

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III. Approval of Minutes of March 17, 2005 Meeting and April 21, 2005 teleconference.

The minutes were approved with one correction to the April 21, 2005 minutes.

IV. Executive Director's Report

Frank Katz introduced Joe Huddleston, the incoming executive director. He gave a brief biography of Mr. Huddleston, explaining that his experience includes being the commissioner of the Tennessee Department of Revenue, a CPA in private practice, and a vice president of tax software firm Liquid Engines. Mr. Huddleston then expressed his pleasure to begin work at the Commission. He stated he was aware of the myriad technical issues that face the states and looked forward to contributing where he can.

V. MTC Information Sharing & Compliance Task Force, Technology Issues

It was noted that the Information Sharing Task Force is on hold during this transition period, so there was no further discussion at this time.

VI. Combined Electronic Tax Registration (CETR) System

Mr. Laskin reviewed the history of the CETR project. He explained that it is part of the Nexus Program's mandate to facilitate tax registration. In February 2001 the Executive Committee approved a project to design a multistate electronic tax registration system. The MTC initiated an MoU with 5 states which grew to 20 states with various levels of involvement. Eight states have planned to be part of an initial version of the system this year. An oversight committee designed the screens for the system and MTC IT staff began building it. A June 2005 deployment was planned as of this spring.

Recently Mr. Laskin and Mr. Blevins have had meetings with e.magination regarding a proposed project plan for e.magination to complete the registration system. Mr. Laskin and Mr. Blevins indicated they are comfortable with e.magination taking over the project manager role, and with the company possibly hosting the system.

Mr. Laskin sent an email request to top tax administrators of states that have been involved in the project, asking whether they can commit to the project during the proposed time frame. [Editor's note: this time frame has been delayed by subsequent action of the Executive Committee.] MTC would commit approximately \$130 thousand to go forward with the contract.

Mr. Laskin noted the responsibilities on the states during the remaining development, testing and release. Mr. Blevins expressed his expectation that if requirements are properly captured there will be little need to change the application. Additional states joining could also create need for change to application. He recommended creating a train-the-trainer program for state system administrators.

Mr. Laskin reported the CETR oversight committee met with e.magination via teleconference last week. E.magination is to provide the oversight committee with additional outline of roles and responsibilities. Mr. Blevins expressed his support for e.magination as a potential host of the system, noting that they have robust secure hosting for state and federal agencies and can bring a number of services together at a reasonable rate.

Mr. Blevins explained that early testing plans for the CETR application have been used for SSTP testing. In addition, some SSTP test can probably be used for CETR testing in the future.

Mr. Blevins described a draft outline of the roles and responsibilities associated with technology projects at the MTC, including relationships with vendors such as e.magination. He also noted that other work being done with SSTP registration, including web XML calls will be the same for CETR. He hoped the same set of people could work on both systems to take advantage of synergies between the two. Finally, he stated that CETR is in better shape than it was earlier.

Debbie Peterson, one of the chairs of the CETR oversight committee, expressed support for the approach using e.magination. She expressed appreciation for Mr. Blevins work on the project. She noted there will be a lot of work during the next four months and there will be numerous volunteer opportunities. [Editor's note: again, this time frame has been superceded by a subsequent Executive Committee decision.]

VII. Streamlined Sales Tax Project Technology Requirements

- Central Online Registration System

Mr. Blevins reported on his involvement with the SSTP registration system. He recalled that the traditional and Streamlined systems were separated in March. An RFP for the SSTP system had 7 or 8 applicants, which was narrowed to one accepted. The company is TaxWatch of Covington, Louisiana. The company also does tax calculations, rates and boundaries for customers including Kansas revenue. The system is in "construct" mode. Five states (KS, MN, NC, ND, UT) are conducting unit level testing with additional states (ID, SC, TX) assisting.

He outlined the testing components: 1) business functions and requirements testing; 2) flow testing; 3) site administration.

Mr. Blevins noted that the system will allow administrators to “pull” using XML or make a web call. There will no longer be a secure FTP site included as an option. He indicated development is progressing about as efficiently as could be expected.

The next two phases of testing will be receive and acknowledge for New and Updates registrations with test states, following which the testing will be open to all participating states. The testing plan allows for 2-3 weeks of quality assurance prior to release on October 1st. Mr. Blevins noted that the testing described does not test the readiness of Streamlined states to process registrations once they are received.

The administrator sites for SSTP registrations and CSPs will include metrics of number of registrations and updates, among other statistics.

The registration system will be available October 1st for every member state. The roles of member and associate member will be well defined by that time, including whether registration in associate member states is required or optional.

Ms. Peterson prompted a reminder of the FTA’s SSTP education teleconferences. Mr. Blevins elaborated that these calls, hosted by Terry Garber and Jonathan Lyons, address the latest on any SSTP topics.

Mr. Blevins suggested that states think about a possible situation where small retailers want to sign up for electronic returns directly, not using Model 1 or 2.

- Certified Automated Systems

Harold Jennings reported on the CSP certification process. In May there were seven candidates for CSP certification. A team of twenty people, including Mr. Jennings, visited each candidate. The evaluators came from a variety of backgrounds including audit and security. The team is proceeding with an aggressive schedule to meet the October 1st deadline.

He indicated that two candidates stood out as likely to be certified. Other candidates are at varying levels of system development. Some candidates may be certified later. He noted that the goal is to have as many qualified CSPs as possible.

The evaluators recently gathered to discuss defining minimum standards. The group agreed that all qualified candidates do not need to be at “Cadillac level.” The group has developed a set of standards for

certification. The evaluators will meet again in August to rate the candidates by these standards, and determine what is needed to bring each candidate up to the standards. The group is also developing a process for additional certifications, beyond the initial set of candidates, and re-certifications.

Mr. Jennings called attention to three white papers developed by Kansas for the state role in the CSP certification process. The papers concern the test desks testing process; CSP volumetric tests; and test deck instructions. He indicated that it is critical for states to review these papers. He also encouraged states to get their rates and boundaries to the CSPs so that they can test them.

He noted that the evaluators will make recommendations for certification in about a month.

Mr. Blevins noted that the SAS 70 audit standard and FISCAM NIST security assessment have been foundation documents.

Mr. Blevins explained further about the CSP testing process. The SSTP CSP/CAS certification person in each state will submit a spreadsheet with sample transactions to the CSP. The CSP will respond and the state can review what was calculated, and also test exemptions. An individual state can add lines to the spreadsheet to test specific situations. States need to understand how current CSPs are on quarterly rates/boundaries updates. This calls for hands on management by the states.

Joe Randall asked whether the certification team is made up entirely of state employees. Mr. Jennings responded that it currently is all state people, although the future composition, such as for re-certifications, has not been decided. Mr. Jennings recommended continuing to staff it with state personnel. The group should be composed of audit, technology, security and policy people, he said.

There was a discussion of exempt product mapping. It was said that some CSPs are planning to let the seller map its own products, even though the CSP is liable. Mr. Jennings suggested states test this area heavily and make sure interpretation of exempt products tax code is correct. He indicated that exempt transactions would be detailed in CSP reporting, although there was some doubt expressed that this would be possible given the volume of transactions.

There was a discussion of seller models. "Self-CSPs" don't get certified because there are potentially so many. Having the certified provider model makes liability protection for available for sellers who use a CSP.

- Other Technology Requirements

Mr. Blevins noted that a Site Administration white paper is to be developed. Regarding any other technical SSTP requirements, Mr. Blevins recommended that those involved in SSTP participate in FTA conference calls and conferences and TIGERS meetings. Ms. Peterson elaborated saying it was critical for those participating in SSTP or MTC's combined registration to attend TIGERS meetings. Mr. Blevins indicated there is an Implementation Guide on the SSTP web site. He expected that the white papers mentioned earlier would be added to the site.

Mr. Blevins noted that five or six projects that use web services are going on in the states. He encouraged states to take opportunities to work with XML to get used to using it.

VIII. Status Report on MTC Enterprise Automation Project Plan

- Applications Development

Mr. Blevins reported on the five weeks he spent at the MTC DC office. He explained his work on strategic planning for the MTC, working on a goals document, and prioritizing MTC staff needs. His road map for IT projects through this December includes additional work on the contacts information migration. Additional StateNet functionality is ongoing and up for discussion under the new Executive Director. The ability to conduct online surveys is planned.

Ed Phillips (OH) asked whether MTC is looking at online registration. Mr. Blevins indicated they were. He noted that e.magination has a rich background in association software including meeting registration.

Other applications mentioned for development were the voluntary disclosure program management software, its relation to the contacts database and automation of more tasks; a web-based clearinghouse database; content management; and an Exchange 2003 upgrade that will allow better integration with StateNet contacts.

Mr. Phillips asked whether, for example, the Audit Technology Workshop's agenda and presentation opportunities could in the future be posted on StateNet in an interactive manner. Participants discussed the use of ad hoc groups for emailing using StateNet. Mr. Blevins asked Mr. Jennings to write up a paragraph explaining what he has in mind on this topic.

Additional technology needs Mr. Blevins mentioned were security and disaster recovery; help desk tracking; bug tracking ability, in the event the MTC does more software development; and audit selection. Mr.

Jennings explained that audit selection is intended to be only a platform for communication and management of the audit selection process, rather than automation of the process.

- Next Steps

IX. Proposed Fiscal Year 2005-06 Enterprise Automation Project Budget

Susan Ribe presented the enterprise automation budget and a budget for technology expenses that fall outside the enterprise automation budget. Projected expenses for FY 05/06 included CETR development and hosting, MS Exchange server upgrade, intrusion detection, and a new back up system.

Chris Lane clarified that the budgeted \$30 thousand for Exchange upgrade is for consulting only. Mr. Blevins then explained that MTC wants to integrate Exchange with StateNet and possible voluntary disclosure database. The Exchange upgrade and consulting will help accomplish these goals.

Mr. Blevins explained that some StateNet modules can be built by Joseph Li (MTC's programmer) and the new web engineer. (The web engineer position is budgeted but not yet filled). Ms. Peterson asked whether the MTC could have someone other than MTC build and host some of the planned modules. Mr. Blevins responded that may be possible and suggested e.magination as a possible vendor. He expressed his hope that the new executive director would look at these options. He suggested that MTC-specific items such as Audit modules would be done inside MTC. He stated that if CETR and the Exchange upgrade are completed, MTC will be well-positioned to move forward on additional modules.

X. Adjournment

Prior to adjourning, the committee planned teleconferences for September 15 and October 13, 2005.