STATE OF NEW YORK
DEPARTMENT OF TAXATION AND FINANCE
Office of Budget & Management Analysis
Bureau of Fiscal Services
Building 9, Room 234
W.A. Harriman Campus
Albany, NY 12227

Patricia Mitchell, Chief Financial Officer
Eric Mostert, Assistant Director, Budget & Accounting Services
Catherine Golden, Assistant Director, Procurement Services

Request for Information (RFI)
Sales Tax Collector's Electronic System Solution

February 11, 2011

The New York State Department of Taxation and Finance (the "Department") is requesting qualified vendors to supply the Department with information to assist in the development of a solution to ensure that all sales tax transactions completed by Sales Tax Collectors using their electronic systems are retained and maintained for record keeping and accounting control and that the appropriate amount of tax is being remitted to the Department.

This is a Request for Information only. This RFI is issued solely for information and planning purposes – it does not constitute a Request for Proposal (RFP) or a promise to issue an RFP in the future. Respondees are advised that the State will not pay for any information or administrative costs incurred in response to this RFI; all costs associated with responding to this RFI will be solely at the interested party's expense. Not responding to this RFI does not preclude participation in any future RFP, if issued.

Timeline

Event	Date
Issuance of RFI	February 11, 2011
Deadline for Submission of Questions	February 25, 2011
Department's Response to Vendor Questions	March 4, 2011
Deadline for Second Submission of Questions	March 11, 2011
Department's Response to Second Submission of Vendor Questions	March 18, 2011
Vendor Response Due	April 1, 2011

RFI Questions

The Vendor community will have two opportunities to submit written questions regarding this RFI. All questions regarding this RFI should be submitted via e-mail (preferred), fax or mail and be received by the dates specified in the timeline. Questions should be directed to:

E-mail: bfs_contracts@tax.ny.gov

Fax: (518) 435-8413

Written Correspondence:
            New York State Department of Taxation and Finance
            Attn: Catherine Golden, Assistant Director
            Procurement Services Unit
            WA Harriman State Campus
            Albany, NY 12227

The Department will provide a written response to all questions. Responses to Vendor questions will be posted on the Department's Procurement website at: http://www.tax.ny.gov/about/procure/

NYS Department of Taxation and Finance Background

The Department of Taxation and Finance is responsible for the collection of tax revenue and the provision of associated services in support of government operations in New York State. In fulfilling its responsibilities, the Department collects and accounts for approximately $60 billion in State taxes and nearly $40 billion in local taxes; administers 37 State and nine local taxes, processes almost 28 million returns, registrations, and associated documents; and oversees the local property tax administration. The Department also manages the State Treasury, which provides investment and cash management services to various State agencies and public benefit corporations, and acts on the Commissioner's behalf as the joint custodian of the State's General Checking Account.

Description of the Audit Division

The Audit Division within the Department is tasked with the role to use resources effectively and efficiently to perform quality audits; to ensure that voluntarily remitted taxes are accurate and complete; and to verify compliance with the Tax Law and Department regulations.

Need for Procurement

Sales tax collectors (i.e., retailers, restaurant and bar/tavern owners) are now using, and more are moving to, electronic transaction systems (often referred to as a "point-of-sale" system) that are believed and relied upon to have sufficient and complete record keeping capabilities that allow for the analyzing and reporting of information in the event of an audit as well as to appropriately report tax return information. In order to ensure that all sales tax transactions that are being posted through these electronic systems are being retained in their entirety, assure the sales tax collectors they have adequate books and records while using the electronic system, and ensure that the amount of tax collected is turned over to the Department, the Department is seeking a solution that would assist in the performance of its auditing duties.

Additionally, the proposed 2011-12 NYS Executive Budget Bill includes a provision that would authorize the Department to require certain sales tax collectors to use a system (certified by the Department that would properly calculate the sales tax due on each sale, maintain the required records of each transaction, and be able to associate exempt sales with the proper documentation. The bill would limit the Department's ability to require the use of a certified system to collectors who have failed to collect, truthfully account for, or pay over tax, or file returns as required by law, and whose total tax due for the four most recent quarterly periods is more than $3,000. A collector required to use the system would be required to process all of its sales transactions through the system. Collectors who use a system certified

by the Department would be relieved from liability for errors in tax calculation or failure to maintain records for transactions processed by the system if the system caused the error.

In light of certain provisions of the bill, the Department has drafted the below listed Point of Sale Record Retention Requirements for system users in order to assist them with the data retention requirements when using a POS system – note that these requirements are still in the discussion phase only and are not current Department regulation.

The following guidelines pertain to point of sale (POS) systems. A taxpayer must retain and produce detailed records of all transactions regardless of whether they maintain the records in hard copy or electronically. If a taxpayer maintains electronic books and records, they must:

1. *Retain electronic sales information for at least three years.*
   - *Detail information for each transaction must include, but is not limited to, the individual item(s) sold, quantity sold, the selling price, tax due, check number, date of original sale, time of sale, wait staff identifier, table number, method of payment, POS terminal number, POS transaction number and location identifier.*
   - *Each system transaction record must provide sufficient detail to independently determine the taxable status of each sale and the amount of tax due and collected thereon.*
   - *Summary documents and any other supporting documentation should be designed so that the details underlying these documents, such as invoices, and vouchers, may be identified and made available upon request.*
   - *Any additional reports and schedules relating to the preparation of the state and federal tax returns must be maintained and made available upon request.*

2. *Retain electronic purchase information for at least three years, if the POS system is utilized for purchases.*
   - *Detail information for each transaction must include, but is not limited to, the individual items purchased, quantity purchased, unit of measure, date of purchase, purchase price, vendor name, invoice number, total invoice amount, purchase order number, method of payment and product markup.*
   - *Any related inventory system must also be maintained and made available upon request.*
   - *Any additional purchase reports, schedules, invoices, receipts or documentation that reconcile to other books and records such as purchase journals, general ledger and state and federal tax returns must be maintained an made available upon request.*

3. *Maintain auditable internal controls to assure the accuracy and completeness of the transactions recorded in the POS system.*
   - *The records must provide the opportunity to trace any transaction back to the original source or forward to a final total.*
   - *Retention of audit trail details must include, but is not limited to, keeping internal sequential transaction numbers, time and date of audit trail entry, type of entry, a record of terminal activity and procedures for voids, cancellations or discrepancies in sequential numbering.*
   - *The POS audit trail or logging functionality must be activated and operational at all times.*
   - *The POS audit trail or logging functionality must record any activity related to all operating modes available in the system, such as the training mode.*
   - *The POS audit trail or logging functionality must record any and all changes in the setup of the system, including, but not limited to, system upgrades and programming fixes.*
   - *Any and all documentation describing the automated data processing of the POS system must be made available upon request.*

4. *Make the electronic data related to the POS system available and accessible to the Tax Department.*
   - *If the taxpayer's POS system lacks the storage capacity to comply with the retention period, it is the taxpayer's responsibility to transfer, maintain and make available and accessible any data that has been removed from the system in a machine-sensible and auditable form.*

Objective

It is the objective of this solicitation to canvas suppliers of solutions that can be utilized in assuring that 1) the electronic system used by a Sales Tax Collector is accurately recording all sales tax transactions and that the data is being retained in its completion and available in case of a Departmental audit; and 2) the Department is able to detect modifications/deletions and attempted intrusions to the recorded transactions. Responses may be used to assist the Department in the development of specifications which meet functional requirements to certify selected electronic systems.

The Department is seeking information from Vendors who can offer both partial and/or whole solutions.

Program Solutions

The Department is open to any and all solutions the vendor community may have. The Department is seeking possible solutions including, but not limited to:

- A third party vendor recording, retaining and warehousing all transactions posted through a sales tax collector's electronic system. The transactions recorded would be required to be accessible by the Department upon notification.

- Providing the Department with the software that would allow for the extraction of the data in its entirety from the sales tax collector's electronic system.

- Assisting the Department in gathering all transactions from the collector's electronic system for audit.

- Providing the Department with step by step instructions on auditing a manufacturer's electronic system(s).

- A third party provider certified by the Department to perform all of the collector's sales and use tax functions, other than the collector's obligation to remit tax on its own purchases. This would allow the collector to outsource most of its sales tax administration responsibilities. The software system of a third party provider would identify which products and services are taxable, would apply the appropriate tax rate, and will interface with the sales tax collector's accounting system. The Department would certify the accuracy of the software and would provide liability relief (if passed in Statute) for errors that may result in the incorrect calculation of the tax amount by the certified system.

- An independent software system certified by the Department to calculate the tax imposed by each jurisdiction on a transaction, determine the amount of tax to remit to the Department, and maintain a record of the transaction. The independent system would be designed for the sales tax collector that wants to utilize tax calculation software that has been certified by the Department while maintaining the responsibility for record keeping, data retention and remitting the appropriate tax. The independent software system would identify which products and services are taxable, will apply the appropriate tax rate and can interface with sales tax collector's accounting system. The sales tax collector that

uses an independent software system remains responsible for remitting the tax to the Department. The Department would certify the accuracy of the software and would provide liability relief (if passed in Statute) for errors that may result in the incorrect calculation of the tax amount by the certified system.

- Development of a sealed microcomputer, mini-PC or equivalent that would be connected to or embedded into a Sales Recording System, (cash register/Point of Sales System), for receiving or processing real-time commercial transaction data, (such as data on bills, receipts, invoices and credit notes), extracting transaction data (such as total sales and applicable taxes) and storing it in a secure memory.

Information Requested

1. Program

Please provide an overview of how you envision the solution and operation of this program and identify any areas of concerns and/or recommended improvements. If applicable to your solution proposed, please be sure to identify how long data would be retained for and if the Department's access to the data is immediate.

2. Electronic System manufacturer

Please identify whether you are an Electronic System's manufacturer and if you would be interested in working with the Department to have your system certified by the Department.

3. Data Retention Controls

Provide information on how your proposed solution ensures that the data being audited by the Department has not been modified or intruded upon (e.g., does your solution involve real time warehousing or is there another control in place to flag modified data).

4. Security Controls

Due to the sensitive nature of the information being retained and possibly warehoused, please provide an overview on how your solution protects the sales tax collector's information from breech and unauthorized access.

5. Additional Comments/Information

Please provide any additional comments/information that you feel would be beneficial to the Department in securing a vendor to provide the services outlined in this RFI.

6. Pricing

In order to determine the feasibility of implementing a system as outlined herein, please provide an anticipated cost associated with your proposed solution. Please make sure to provide the pricing structure for the solution provided (i.e., start-up costs, implementation costs, monthly costs, maintenance costs)

RFI Response

Please respond to the areas of concern listed above by April 1, 2011. Be sure to provide the name, location, contact person, phone number and e-mail address for your company.

Your response related to this RFI may be e-mailed (preferred), faxed or mailed to:

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e-mail address: bfs_contracts@tax.ny.gov

FAX number: (518) 435-8413 FAX

Mail Address:
New York State Department of Taxation and Finance
Office of Budget and Management Analysis
ATTN: Catherine Golden, Assistant Director
Building 9, Room 234
W.A. Harriman State Office Building Campus
Albany, NY 12227
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A response does not bind or obligate the responder or the Department to any agreement of provision or procurement of products referenced.