



December 8, 2011

SAS System to be used to Ensure Tax Compliance

The IRS will be employing a new system designed to ensure greater tax compliance. SAS, a business analytics software and services company, has won a \$6.25 million contract to support IRS' new electronic Return Review Program system. With this system the IRS intends to make significant inroads in reducing the tax gap of approximately \$345 billion each year. The tax gap is the difference between the amount of taxes that should be collected and the amount of taxes actually paid on time each year.

Under the contract, the IRS is able to tap into various SAS technologies including the SAS Fraud Framework for Government, SAS Social Network Analysis and SAS' data integration, data mining and business intelligence technologies. Using these technologies, the IRS would be able to improve detection of fraud and discover non-compliance at the point of initial tax submission. This would in turn reduce the issuance of possible fraudulent refunds.

The SAS In-Database functionality, SAS Scoring Accelerator for Greenplum and SAS Grid Manager will give the IRS the capability to manage and analyze massive amounts of data.

The sophisticated SAS software will rate each tax submission using a multi-pronged approach of business rules, anomaly detection, predictive modeling and social network analysis. Anomaly detection is used to discover fraud. Predictive modeling uses

historical data information to identify suspicious behaviors similar to known fraud patterns. Social network analysis uncovers hidden relationships or links that suggest collusion and organized fraud rings.

In addition, the SAS Text Miner goes through unstructured data, such as call center data, to detect any suspicious activity. Alerts and results are reported through a customizable dashboard and SAS' case management capabilities help investigators prioritize and assign cases. With the software, the IRS can set up business rules that detect possible fraud and immediately alert investigators or auditors to suspect returns.

In fact, the IRS is not the only government agency using SAS technology. 15 other federal agencies and 80 national governments use SAS software to manage performance, perform budgeting, arrange logistics, firm up cyber defense, detect fraud and improper payments and even assess threats.

SAS originally stood for Statistical Analysis System and was founded in 1976 at North Carolina State University to analyze agricultural research. But today, SAS technology is used to tackle fraud, waste and improper payments in many areas of government – from detecting collusive patterns in entitlement programs such as Medicare and Medicaid to purchase-card fraud, bid-rigging and terrorist financing.