

SB 5538 testimony for Public Hearing on 3-28-13 from Micheline Mosner
[Attachment A- Testimony of Micheline Mosher 2-23-12 on SB 1530A]

Introduction: Co-chairs and members of the committee;

Good Morning. My name is Micheline Mosher. I am a ten year employee of the Department of Revenue. I am speaking as a member of the public. I am not speaking as a representative of the Department of Revenue.

I'm here today to testify regarding Senate Bill 5538.

For the most part I support passing this bill. It provides the operating budget for the Department of Revenue, funding programs and paying salaries, so the Department can complete the work necessary to bring in the revenue important to the people of our state.

I want to make it fundamentally clear what is at stake here - The Department of Revenue's mission is to collect and process 94% of the money that comes into the General Fund which is used to fund services and programs for 100% of the constituents -- your constituents.

In the past year, I have attended nearly every informational meeting for Department of Revenue employees; trying to understand how we are going to get to our future. What it really boils down to is this:

Since 94% of Oregon's General Fund depends on the ability of the Department of Revenue to collect and process the monies owed, the agency must be held accountable for managing their budget appropriately in regard to staffing levels and function.

I ask that you approve a budget with the clear direction to the agency to bring the staffing levels up to 100% of full employment; task the agency to focus on filing enforcement, auditing and collections. By your clear direction, you make a demand that the Department of Revenue focus on compliance and the reduction of Oregon's tax gap.

I have listened to the hearing all week and I would like to talk to you further about specific items in the testimony regarding some of the things that are in the agency's budget.

It is very important to staff to hear the Director recognize in his overview what he has candidly labeled mistakes by top management in the Department. I commend him for doing so publicly. It is true that there have been giant shifts in top management. It is also true that staff has been reeling from the aftermath of the mistakes of Director Bucholz' predecessors - the announced field office closures and the enormous fraud case that splashed across the nation's media, impacting all staff by these two events alone. A result of these and other "mistakes" is the loss of trust by staff which will not be mended until we see positive changes. As an employee, I support rebuilding trust.

Director Bucholz has referred to the mission statements in his overview, these can be seen on page 51 of the agency presentation. As an employee, I support the Department's mission.

The Director said that he inherited an agency under great stress and that more vacancies were held than before - yet he also knew that people couldn't do all the work necessary and tax income was lost due to short staffing of experienced knowledgeable people.

Staff needs DOR to apply the tax law equally - the law says "**all Oregonians who have taxable income are to report it and pay the appropriate amount of tax**". It appears that current management at DOR does not allow our auditors and collectors to go back beyond three years, although I understand that six years are statutorily available. This deeply impacts those of us who want to believe our vision: "**We are a model of 21st century revenue administration through the strength of our people, technology, innovation, and service.**" Yet the agency's actions do not support these statements.

Yesterday Director Bucholz went over the Key Performance Measures and some changes he would like to make. He described some of the measures as having "construction problems". I agree that is the situation. In fact front line staff has been asking for correction of some of the problems for quite some time.

As a taxpayer and an employee, I am very concerned about the "construction problems" in the process the Department has taken for the Core Replacement System project. I have also provided copies of my testimony from a year ago, but you may remember I voiced my concerns about the project. I am very concerned about the lack of knowledge, lack of experience, and lack of continuity.

When spending this much money, where are the experts? Where are the people who have implemented projects of this magnitude and importance before? Where are the experts who can Plan, Do, Check, and Act?

Our Director has never managed a project of this magnitude; I am not aware that Deputy Director Kris Kautz has managed a project of this magnitude or of this importance in any of the six agencies she has been in. Mr. Eric H. Smith has testified previously that he has never managed a project of this magnitude and importance from beginning to implementation to full functionality before. Yet these are the people who are coming before you and asking for millions of dollars to do this project.

So I ask the following:

Where's the expertise that knows when the foundational documents are correct and complete?

Where's the expertise that knows when the business case documents are correct and complete?

Where's the expertise that knows when the next stage documents are correct and complete?

Where's the expertise that knows when the infrastructure documents are correct and complete?

Where's the expertise that knows that the back up plans are correct and complete?

I support the move to replace the Department's computer systems at a reasonable cost, but I do not support benefit-based funding when I feel strongly that there may be many "construction problems".

Thank you.

ORBITS Budget Narrative

➤ How we will measure success

The Core Systems Replacement will be measured by how well it achieves agency strategic goals and the efficiency with which it does so. The agency has established key metrics that are linked to the agency's Key Business Drivers. These metrics will be evaluated at significant milestones in the project. More information about project metrics is available in the Business Case.

Project-Specific Metrics
• Project meets milestones (timeliness) and is completed on time
• Project meets milestones (cost) and is completed within budget
• Total number of significant scope changes are limited
• Deliverables meet or exceed quality requirements
Funding-Specific Metrics
• Specified Receipts meet or exceed Total Target Receipts (to receive full payment)
Operational Metrics
• Dollars collected per revenue agent
• Dollars billed per compliance personnel
• Increase in customer self-service (web services)

These metrics will be tracked and reported throughout the project. Additional metrics will be developed or modifications may occur to existing metrics, if appropriate, to best represent the project's success. The full measure of the project's success will require a broad assessment of both qualitative and quantitative information after the system has been installed.

2015-17 Fiscal Impact

DOR expects a need of \$20.3 million Other Fund limitation for 2015-17 to service a benefits based contract. See Cost Benefit Summary chart by Biennium above for the details.

Comments on Testimony - Attachment 1

Director Bucholz has spoken this week about unclear strategic planning, stating that management meant well, the direction identified for the agency was sound in principle, but instead of providing clarity and direction, it led to confusion for the staff.

In the Director's presentation and the 800 pages of the Governor's budget document, there are many pages referring to the Core Replacement System. As employees we understood that the project was not in the Governor's budget -- that is what we were told as recently as last week at Revenue's Town Hall event. This leads to confusion for the staff.

Attached is page 15 of 87 of RFP #102-1792-11 for the Department of Revenue Comprehensive Tax System which states in 3.3 " Phase: Sign Contract; Target Date: February- April 2012 (pending Legislative authorization)".

Employees were told that this contract was signed:

- When did the Legislature give its approval?
- If the Legislature did not give its approval; why is there a signed contract?
- How can employee trust be rebuilt under these circumstances?

- Provide a technology platform that integrates data in real-time across business processes providing consistent and accurate information Agency-wide.
- Mitigate the risk of interruptions to current revenue flows.
- Eliminate redundant steps and automate more processes, leveraging industry-proven practices and solutions
- Store taxpayer information in a consistent, consolidated record, regardless of channel/media
- Provide a comprehensive view of all activity (across all tax programs) for each taxpayer.
- Automate processing for all tax types.

The core systems replacement is an investment in Agency staff, processes, and technology that must provide a significantly positive return on investment to Oregon taxpayers. The proposed solution must provide value through reduced Agency risk, increased revenue to Oregon, a more productive and responsive workforce, a lower total cost of ownership for Agency systems, and adaptability to changing business needs and advances in technology.

3.2 FUNDING THE PROJECT

A benefits-based funding model will enable Agency to pay for this large-scale technology project out of additional funds collected and directly attributable to the project. Agency intends to use a benefits-funded approach because:

- Given current economic conditions, the State is unlikely to be able to self-fund.
- Incremental revenue needs to be realized within the first two years, and the system must pay for itself (one time costs must be returned) within five years.

3.3 IMPLEMENTATION TIMELINES AND METHODOLOGIES

Proposer must provide a solution that can fall within the following high-level timelines (refer to the Core Systems Replacement Business Case, Exhibit I, for additional information):

Phase	Target Date
Procurement	January 2012
Sign Contract	February-April 2012 (pending Legislative authorization)
Planning (with vendor)	Mid-to-Late 2012
Begin Implementation	Late 2012

Remaining phases/timeframes will be addressed by Proposer during the Pre-Award Period

3.4 COMPREHENSIVE TAX SYSTEM (CTS)

Agency intends to acquire a Commercial Off-the-Shelf (COTS) Comprehensive Tax System (CTS) that includes these major transactional processes and supporting software tools and services:¹

- 1 **Taxpayer relationship management:** This includes multichannel interaction management, correspondence management, contact management, marketing and education.
- 2 **Revenue management:** This includes taxpayer identification, return intake, return processing, taxpayer accounting, billing and collection, and revenue accounting.
- 3 **Compliance tools:**
 - **Data warehousing, lead discovery and predictive analytics, and**

¹ "Critical Capabilities for Integrated Tax System COTS Products, 2010", Gartner, Inc.

Attachment A to Micheline Mosher-Prepared Testimony on SB 5538 for Public Hearing - March 28, 2013

February 23, 2012 Testimony on SB1530A given by Micheline Mosher (her own transcript)

Karen Gregory testifies, Eric H. Smith testifies (Kathy Johnson, attorney present for DOR).

:28 - Micheline testifying; Acknowledges committee -

Good afternoon. I am pleased to be here, I'm here as a [private] public citizen and I had written down some things, but I may not say all of them now because Representative Smith has said many of those things, so thank you for that.

My name is Micheline Mosher, I'm here as a [private] public citizen. I'm here as a mother and grandmother, but I do want to disclose that I am a Revenue employee and in the next few days, I will be there 10 years. I'm here to ask questions. First, I want to thank you for adding oversight in the engrossed bill, but I am wondering ... is it enough oversight?

I'm going to interject here that I'm very pleased to hear the types of questions that you are asking - I'm asking those questions as well. It's important to me that Revenue gets it right with any new systems. More importantly, it's important to my extended family and other Oregonians. I appreciate the changes brought to the engrossed bill, but here's a question:

Can't the employees of the Department of Revenue focus on bringing in as much money as they can through compliance, collection and enforcement?

Right now, if I didn't feel it was important to be here, I would be keying checks for deposit.

There was a group of concerned employees from Revenue who visited with Michael Jordan...

Sen. Johnson interjects: "I think this is important for people that are listening to this testimony. I'm going to interrupt you -- you're here on your own time, are you not?"

I am here on my own time, but because it came up so suddenly, I'm here on personal leave.

Sen. Johnson responds: "Okay. Thank you."

And on my own time, with a group of concerned employees, we visited with Michael Jordan and shared some concerns. We did have an ask in that meeting - We asked --rather than purchase a proprietary system, which I understand the GenTax to be, and I've tried to be an informed employee and gone to as many informational meetings as I can - we suggested as a group that the Department of Revenue be granted \$500,000 and six months of IT staff time to build a true data warehouse.

Shouldn't we have clarity in this process? Only then -- after having a data warehouse and what that will do -- shouldn't we then look to measure the lift and establish the baseline?

I assure you that employees are collecting taxes with our current systems - they are not broken as reported in Tax Express.

Again, I wonder if there is enough oversight in this bill. Shouldn't the Legislature have more power over how the money is spent? Even though ... sorry, I'm terribly nervous... [inaudible]. Even though this has been explained to me as an employee, why does there need to be a separate or special fund as there is in SB1530?

Should contracts be signed -- even with conditions -- when Revenue is lacking top leadership? and I do want to thank Director Gregory for her service because we have asked a lot of tough questions at Revenue as well and in the public, but we've lost a lot of top leadership and as I go back over the last two years, I'm seeing that.

I would also like to thank members of this committee for their diligence in prior meetings and again in what I've heard today and as a [private] public citizen, I want efficient government and planned replacement under leadership that is committed to be there to see that Oregon gets a Big Bang for their technology Buck.

Thank you for being judicious, I am of the understanding that the Revenue Committee passed this on to you without a recommendation and I do appreciate Representative Smith's concerns and I would be interested in the answers.

We do need to carefully consider our path. We do need to have good technical expertise and, by golly, I'm impressed enough with the people of Oregon to think that we do have the talent here to put forth to help us fly with our own wings.

I don't agree with Director Gregory's analysis, I share that with Representative Smith and if we are bringing in a proprietary system and the things that that entails, I wonder if that limits the desire of the people of Oregon as expressed by our legislators -- whom we elect and whom we direct to do our work.

And I also kind of had the feeling... was there Texas Hold 'Em being played here today? Are we going to see the cards coming forth after the fact? I'm very concerned about the drive to sign a contract -- I admit, Grandma doesn't have a clue about what is involved with state contracts.

Thank you very much for your time.

Questions:

Rep Garrad: I just wanted to congratulate you because you did a very nice job with presenting a very difficult topic.

Sen Steiner Hayward... : I just want to add on to Representative Garrad's thing. It takes a lot of courage to do what you are doing. I've been in your chair in the past and I remember what it felt like and to take your personal time shows your dedication and your commitment and we are very fortunate to have people like you committed to public service so thank you again.

Rep Smith: In terms of the current systems, you have to use the current computer systems which I imagine are somewhat outdated, how bad are they? Don't try to ... your points are well taken and I share them so I am not trying to ask you to add to your argument, but just give me --- as candid as you can be -- about how clunky they are, if it looks like war games, green type on black screens, how bad or good are the systems you currently use?

Well since we do work for over 30 tax programs, I can't really speak to that. I can tell you that my only concerns with the system that I use to enter personal [income] property tax and many other things as well as cash, everything is working just fine except for some work done by a contractor .. and we get a dropped digit off field 8 or 8a on the state tax forms so if you made \$100,000 and it's in that field, you'd lose the first one or two digits -- they are still working on that but that's not the problem with the system, that's the problem with the software and I don't key all the programs -- and I'm not in the position to really address that, but I can certainly gather some information for you and send that on to you as long as I am not violating what I am doing as an employee.

Rep Smith: No, you don't have to go out and do a bunch of homework, I just want to have all the information that you do have. I want to test my assumption, so I have this assumption-- that there is more still to be garnered from using existing systems and maybe amplified collections using those current systems. I want to test that assumption with you. If there were another one of you or another person who does collections -- I don't even know if you do collections, but people who do collections -- is it your impression by being in that context that the current systems could stomach that and there are more collections to be had, using current systems? You might not be able to evaluate, but do the best you can.

Well, first of all I want to say that I am as fond of the shiny new computer as the next person, but I don't think this is the right time. I'm very appreciative the legislature held back on these things. I do feel that it would be important to have a data warehouse but the cost of that -- I don't believe-- is anything near what we are committing to. I am very concerned and I have worked as a data programmer before -- for a division of Bendix -- I am very concerned about being in a proprietary system where you can't see what the code is and we can't change it, so the contractors linger on and linger on, so that's much more the concern to me. Right now we have competent people -- who have been there for a long time -- fixing things. It's not broken at this point and I think that I see other things that happen in terms of ...

Okay, I'm taking off my [private] public citizen hat and putting on my employee hat -- I see a lot more things happening in terms of ... holding positions vacant, that we are having money fall off the table. I will go ahead and reference the Conference group, that they are not able to fill all seven positions of that group and as a consequence, things were not done statutorily in order to have [inaudible] "collect the money". I don't work for Conference, but I do listen well to lots of employees.

Sen. Johnson comments: Before I turn to SENATOR Steiner Hayward, I would suggest Representative Smith, some of us have had the opportunity to go over and actually tour the building and look around. Visually, some of the systems appear pretty vulnerable without even watching what they are doing, I mean stacks and stacks of material. It might be worth arranging a tour.