

Honorable Co-chairs and members of the committee:

My name is Paula Allen. I am here on my own time and am representing myself and the members of my local. In no way am I representing the Dept of Revenue. I am an eighteen year employee of the Department of Revenue and work in the IT Services section. Thank you for the opportunity to comment.

I'm here today to testify regarding Senate Bill 5538. For the most part I am in favor of passing Senate Bill 5538 because it represents the fundamental operating budget for the Department of Revenue and I agree with Governor that core system replacement should not be in the budget at this time.

You have heard a lot of information over the last few days from the agency and I applaud their candor. I know the Director has been working hard to try to do the right thing. I would like to provide a staff perspective. You have heard that the highest priority of the agency for the last 4+ years has been to replace our core systems. This is true and it did not feel discretionary and in fact we stopped almost all development and only just kept things going and we are mostly still doing that.

I first testified about this in 2009. Over the last 4 years, at a time when the state budget has experienced dramatic shortfalls, the agency has left an abundance of revenue generating positions vacant in order to finance the TaPR (aka core system replacement) project. Increased workloads due to vacancies have caused increased stress, poor morale and at times, costly errors. This is a disservice to the citizens of Oregon and your constituents.

Much of the staff believes our priority should be increasing collections and the enforcement of compliance. We believe if you want to improve voluntary compliance, you must focus on enforcement and compliance. Studies have shown that the biggest thing keeping people honest is fear of getting caught. Vacancies at DOR mean lost revenue, the department should always be fully staffed and running on all cylinders and should be adding positions.

The agency says our most important asset is our data. I say it is our staff. Computer systems don't collect money, people do. Computer systems don't do audits, people do. Now is not the time for a new replacement system. When we don't have the money and are contemplating balancing the State budget on the backs of retirees, we should be doing everything in our power to increase revenues, close loopholes and ensure everyone is paying their fair share. There are other agencies that need new systems more than we do. If the economy improves and we have the money we should buy the system outright. Of course we wouldn't really own it -renting would be a closer term as we would not have access to the code and would have to ask the vendor to make any changes which they would do only every 18 months. The maintenance fees are hefty and we will be entering into very long term relationship with an out of state private company.

The system we have is not broken. It is highly sophisticated, customized, and integrated. It already does 95% of what the new system would do. Any new system will take at least 5 years to implement. The Gen in GenTax is for generic. This not the answer to all our problems as it is often touted to be. It is a generic, one size fits all, non-customizable system.

Hiring more revenue agents today will increase revenue today. We can increase collections today by hiring more staff and working to improve processes today. Return on investment? Revenue Agents 1's are the work horses of the agency. They don't make very much money. Many work two or more jobs to make ends meet. Average is less than three thousand a month-gross. And they are bringing in over \$110,000 a month. I'd say that is a pretty good return on investment.

The agency has made a point several times saying that they have put in place improvements that will increase productivity and efficiency. They have put them in place but have not checked back and see if they are working (especially in collections) nor have they engaged frontline workers in making the 'improvements' nor do they engage workers in developing performance measures.

I would like to bring to your attention the chart on page 27 of the agency's presentation. This shows collections per RA per month. You will notice that despite all 'improvements' collections are down. While the economy may be blamed in part (although the economy wasn't doing well in 09 or 10 either), it is not the main reason for this.

In addition to vacancy factor, the agency has made decisions that have resulted in over half of the RA1s in the personal income tax division no longer doing collections work. They are a call center, answering the phone all day (a function previously done by lower salaried workers) or they are doing account maintenance, or other administrative work and not collecting. All this started in 2010. I don't believe it is coincidence.

We have great concern for the number of accounts being sent to PCFs. There is fear and concern among collection staff when they see so many accounts going out. RAs do more than just collect the money. They work to bring the taxpayer into compliance and keep them there. They educate the taxpayer on their obligations and rights, and they are familiar with all tax programs. PCFs do none of that and in fact it is more advantageous if the taxpayer doesn't stay in compliance because then they can make more money off of them. If we were to get more accounts into queues sooner, have sufficient numbers of agents and have all agents actually collecting and allow them to use their judgment when to send an account out we could increase collections.

You heard the director talk about filing enforcement and accounts receivable. One way to handle the inflated amount due would be to do what California does. The assessment becomes a "ready return" based on the Federal return and that is it- no more chance to file a true return. The agency made the decision to increase the number of cases filing enforcement agents were required to work which caused the number of accounts receivable to increase. When you get people to file or assess them, you then need RAs to

collect the money. The law (law that you enacted and we are not enforcing) says that we are allowed to go back six years for delinquent returns. The agency decided to go back only three. In filing enforcement most of the work is done up front before we assess the taxpayer. We look to see if there is a current income source or assets so that we are not wasting our time. So if we do perform filing enforcement, it doesn't take very much more work to go back six years of nonfiled returns as it does three. We are leaving money on the table and the taxpayer gets a get out of jail free card.

Agency management is still very top down. The collection process appears to be broken. One top producer commented to me recently that they were able to collect more when they worked part time than now working full time. We recommend the agency engage staff in the decision making process and include *all* staff in process improvement from the bottom up. Agency leadership should be commended for increasing communication efforts but these efforts don't reach everyone and often the actions are contradictory or there are mixed messages. Real communication is two way and includes listening. The agency has improved in communicating their message but is not really hearing the front line workers. Some staff are tied to the phones and unable to attend town halls, view videos or read blogs. The perception is still anyone asking questions or sharing a different perspective is labeled a problem and not a team player, etc.

I believe the agency needs to do some real process improvement and get their internal processes in order before they get any new system. In the DOR presentation document the dollar amount of fraudulent refunds that we have stopped has more than doubled to over \$2 million. This is the result of result of process improvements the agency did make that were recommended by the internal auditor. They implemented 3 and partially implemented ten. I wonder how much we would have saved if we fully implemented all of them.

Regarding the 2.1 million dollar fraudulent refund-the computer system caught it-it was manual process error. From our perspective, although we understand why the director disciplined the way he did, we were disappointed. The harshest discipline was against the frontline worker. We believe management was at least equally responsible for what happened if not more so. The discipline should have been at least equal but instead the frontline worker received a demotion and management got a slap on the wrist.

The staff has been asking for years for a tool called LexisNexis which they believe would help their collection process and reduce fraud. We are happy to see the agency starting to consider W2 matching as staff has also been asking for this for years. We believe with these 2 things and possibly a data warehouse and process improvement we could increase revenue dramatically.

In regard to the customer service surveys for service in the Tax Help area only, while each representative is required to ask a certain per cent of customers to take the survey, it is their choice which ones they ask so the numbers may not reflect the actual customer experience.

I could go on but I think I have said enough. I do want to reiterate that the staff while having been surveyed repeatedly for their good ideas seldom has seen those ideas actually listened to.

In closing I would ask you to please take a very close look at the numbers. The Agency has admitted, admirably, almost making a huge mistake based on erroneous numbers. We can't afford to make one now. Thank you.