



2017-21

Strategic Priorities



O R E G O N D E P A R T M E N T O F R E V E N U E



The Oregon Department of Revenue started as the Oregon Tax Commission in 1909. The agency has approximately 1,000 employees who help achieve its mission of *making revenue systems work to fund the public services that preserve and enhance the quality of life for all citizens.*

Each biennium, more than 95 percent of Oregon's General Fund is attributable to the work done by the Oregon Department of Revenue

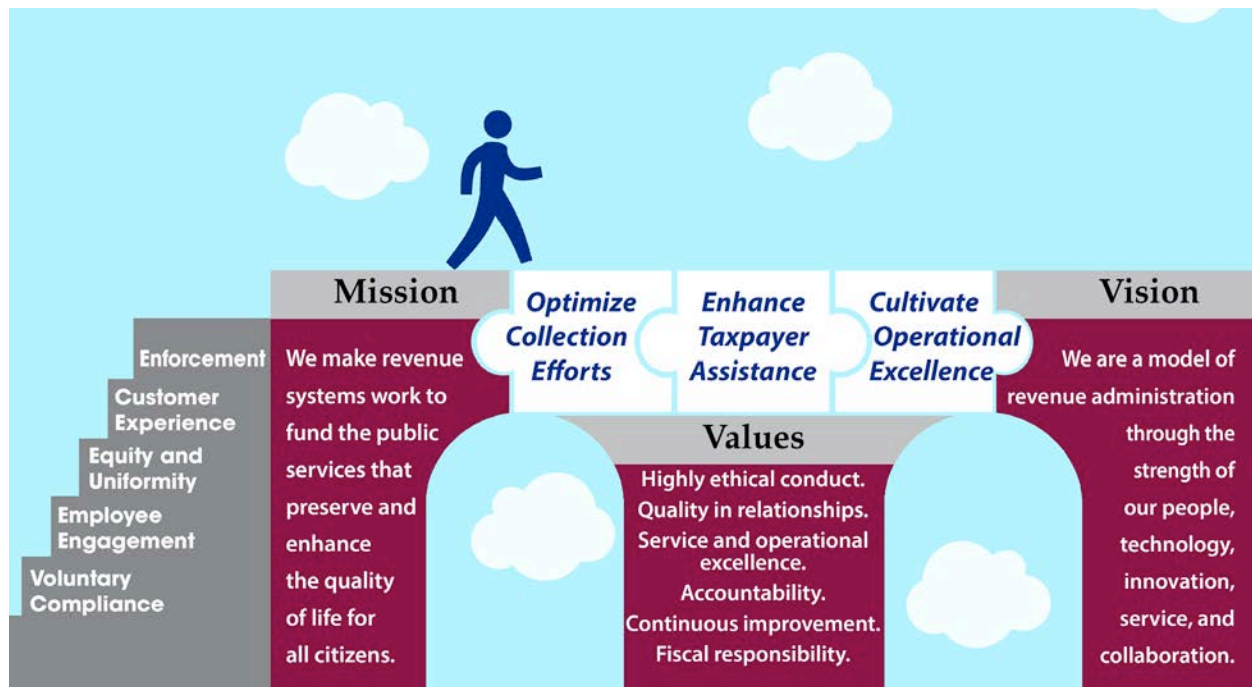
In support of its mission, the agency:

- Administers nearly 40 tax programs, including Oregon's personal income, corporate excise, recreational marijuana, and cigarette and other tobacco tax programs.
- Supervises the state's property tax system and supports county property tax administration.
- Appraises large industrial and centrally assessed properties.
- Administers tax programs for other state agencies and local governments, including the state lodging tax, vehicle privilege and use taxes, local marijuana taxes, and transit district taxes.
- Serves as the primary collections agency for executive branch agencies and state boards and commissions.



Tax administration functions include: processing returns and payments, assisting and educating taxpayers, auditing, enforcing state tax laws, collections, and policy development.

Strategic Framework



Looking forward, the agency's vision is to be a model of revenue administration through the strength of our people, technology, innovation, service and collaboration.

When pursuing its mission and vision, the agency is guided by its values:

- **Highly ethical conduct**
Honesty, fairness, and courage to do the "right" thing to protect integrity at the highest level.
- **Service and operational excellence**
Doing our part, supporting others' success and pursuing ways to improve service delivery.
- **Fiscal responsibility**
Prudent stewards of public dollars, effective financial controls, and information transparency.
- **Quality in relationships**
Respectful, supportive, and authentic collaborators.
- **Accountability**
Deliver on our commitments to establish credibility and trust.
- **Continuous improvement**
Monitor performance, be open to change and reinforce a continuous improvement mindset.

Core Business Outcomes

During the 2013–15 biennium, five outcome areas were identified as being critical to the agency’s success—voluntary compliance, enforcement, employee engagement, customer experience, and equity and uniformity. The five outcome areas allow divisions to align the work they do to important shared agency outcomes.

Employee engagement

We engage employees so they care about their work and the performance of the organization by investing in them, creating a workplace that allows them to thrive, and ensuring they have the tools and skills they need to do their jobs.



Customer experience

We work toward creating quality customer experiences by providing taxpayers with clear, accurate, and timely information and services, and leveraging technology to improve business processes and electronic self-service options.



Voluntary compliance

We encourage voluntary compliance with Oregon’s tax laws by providing taxpayers with resources and information they need to file and pay appropriately.

Enforcement

We use the enforcement tools available to us to promote long-term voluntary compliance and collect debts owed to the state.



Equity and uniformity

We apply tax laws and rules consistently across tax programs and treat all taxpayers fairly and equitably.

Strategic Priorities

There were a number of factors that influenced the selection of the agency's 2017–21 strategic priorities, including new agency leadership, legislative budget notes, the implementation of five new tax programs over the past two biennia, a renewed emphasis on outcome-based management practices, and completion of a four-year core systems replacement project in July 2018.



- Enhance collection processes and tools to improve timeliness, accuracy, and results.
- Effectively frame and communicate the agency's debt collection potential and results.
- Develop understandable, useful, and focused metrics to support effective collections management.



- Ensure taxpayer assistance tools are easily accessible, customer focused, and work as intended.
- Establish service standards, align processes, and educate staff to achieve more timely service.
- Leverage information from customer feedback channels to better meet customer needs.



- Balance maximizing productivity with engaging employees.
- Develop metrics and other tools to enhance agency performance management, guide decision-making, and support continuous improvement.
- Establish an agency-wide governance framework that clarifies roles, responsibilities, and communication expectations.

Progress to Date

Optimize Collections Efforts

- Successful consolidation of statewide collections efforts under the department's Other Agency Accounts program [SB 1067 (2017)].
- Effectively executed legislative direction to create a separate Collections Division, adjusted the budget structure appropriately, and hired an administrator, who will focus on optimizing collections efforts.
- Implemented financial institution data matching program to improve the garnishment process and collections results [SB 254 (2017)].

Enhance Taxpayer Assistance

- Improved data collection and reporting activities related to customer service.
- Formed a team to identify improvements, implement recommendations, and enhance standardization of service.
- Established a new call center in Fossil.
- Reviewed the agency's phone system and implemented improvements to make it easier and quicker for taxpayers to reach a representative or find information.

Cultivate Operational Excellence

- Contracted with a third-party consultant to conduct a current state assessment and develop a work plan to create an integrated performance management system.
- Reviewed agency positions to ensure jobs aligned with budget expectations and statewide personnel policies and procedures were followed.
- Received validation through a Secretary of State audit that the core systems replacement project was effectively executed and the tool, GenTax, is appropriately processing tax returns.
- Completed phase one of a three-year document processing system upgrade. This upgrade will increase efficiency and accuracy by automating many of the Processing Center's activities.





For more information on the work of the Department of Revenue,
visit www.oregon.gov/dor/about.

Secretary of State Audit Results and Responses

Cybersecurity Controls Audit

Key findings:

1. DOR has implemented a security management program, but associated plans and procedures have not been updated to reflect current staffing levels and reorganization of statewide security by the OSCIO.
2. DOR lacks specific policies and fully automated controls for many elements of the basic security controls identified by the Center for Internet Security. These basic controls should be implemented in every organization to reduce the risk that attackers could compromise systems and data.

Recommendations:

1. Improve security management by documenting the degree to which DOR has adopted the statewide information security plan and ensuring DOR and ESO roles and responsibilities for information security are clearly defined.

Management Response: Agreed. DOR submitted the DOR Gap Analysis of the Statewide Security Plan to ESO 10-26-2018. DOR will collaborate with ESO on a Plan of Action and Milestones (POAM) to address the security gaps over the next six months. DOR previously maintained a DOR specific Information Security Plan. Going forward, this plan will be retired and DOR will adopt the Statewide Information Security Plan maintained by the Enterprise Security Office.

2. Remedy weaknesses with CIS Control #1 – Hardware Inventory – by further developing written policies and procedures, automating asset discovery and inventory, and expanding hardware authentication.

Management Response: Agreed. DOR Management will collaborate with OSCIO to strengthen its hardware inventory controls to remedy its identified weaknesses with CIS #1. Most end-user devices are mobile and Wi-Fi enabled. A single device can have several IP addresses per day depending on location. DHCP and DNS record updates are automated but asset inventory is not due to the ephemeral nature of IP addresses in DOR's environment. DOR will continue to work with ETS and ESO to implement Layer 2 NAC. As a compensating control, DOR will implement certificate-based network authentication on all agency endpoints.

3. Remedy weaknesses with CIS Control #2 – Software Inventory – by further developing written policies and procedures, improving tracking and documentation of approved software and software versions, and implementing software whitelisting.

Management Response: Agreed. DOR Management will collaborate with OSCIO to strengthen its software inventory controls to remedy its identified weaknesses with CIS #2. Furthermore, DOR will evaluate the use of software whitelisting based on its risk to the agency. If after a risk analysis categorizes this as a high risk DOR will implement software whitelisting controls. Short term activities and process improvements will include: Evaluation of automated whitelist enforcement technologies. Work with ESO to

establish a consistent approach to whitelisting technologies and strategy. Improve DOR tracking and documentation of approved software. Automate reporting on non-approved software. Create policy and process for removal of non-authorized software.

4. Remedy weaknesses with CIS Control #3 – Vulnerability Assessment – by formally tracking the status of identified vulnerabilities to ensure they are timely remediated.

Management Response: Agreed. DOR Management will evaluate the current tracking and remediation of vulnerabilities performed weekly to identify areas for improvement in its vulnerability management program by ensuring known vulnerabilities are tracked and remediated in accordance with the agency and statewide standards. DOR will create and manage service tickets for all critical vulnerabilities.

5. Remedy weaknesses with CIS Control #4 – Privileged Access – by updating policies and procedures to cover additional elements, implementing multifactor authentication and use of dedicated workstations for all administrative tasks, and implementing alerts associated with administrative account activities.

Management Response: Agreed. DOR will work to strengthen CIS #4 through administrative controls (i.e., policies, standards, and procedures.) and implement the use of dedicated workstations for all privileged user administrative tasks.

6. Remedy weaknesses with CIS Control #5 – Secure Configurations – through automated monitoring of configuration changes and by further developing written policies and procedures.

Management Response: Agreed. DOR will collaborate with OSCIO/ESO to leverage Tenable (Nessus Security Center) to strengthen its secure configuration controls to remedy its perceived weaknesses with CIS #5. DOR has implemented weekly CIS specific Tenable scans to baseline and track our server and workstation configurations. DOR has also implemented policy enforced security settings in accordance with the IRS Office of Safeguards Computer Security Evaluation Matrix. IRS security setting recommendations are in alignment with the CIS recommendations and are validated every three years by IRS auditors. DOR will develop policies and procedures to continuously detect, track, and remediate deficiencies to ensure consistent and compliant configurations.

7. Remedy weaknesses with CIS Control #6 – Audit Logs – by developing a central logging solution, implementing log analytic tools, and automating log review.

Management Response: Agreed. DOR currently consumes OSCIO enterprise logging services. DOR will continue to collaborate with OSCIO to meet the audit requirements by creating and implementing appropriate use cases for security event logging and monitoring. Currently, DOR forwards web logs to QRadar, ETS's central logging solution. DOR has initiated the formal onboarding process with ETS to extend log aggregation and analysis to DOR's Microsoft Advanced Threat Analytics system and critical core database and application servers.

GenTax System Controls Audit

Key findings:

1. GenTax controls ensure accurate input of tax return and payment information for personal income, withholding, and corporate income and excise tax programs. Additional processing and output controls provide further assurance that GenTax issues appropriate refunds and bills to taxpayers for taxes due.
2. Logical access controls are generally sufficient, but DOR needs to make improvements to ensure managers have enough information to request appropriate access. DOR should also ensure that access remains appropriate for users who change jobs and is removed for users who are terminated.
3. DOR monitors and tracks changes to GenTax to ensure system developers implement only approved program modifications, but better guidance is needed for testing procedures to ensure program modifications meet business needs.
4. DOR does not have sufficient assurance that it could timely restore GenTax in the event of a disaster or major disruption.
5. DOR has not obtained independent verification that the GenTax vendor has implemented appropriate controls over servers at an external data center to provide additional assurance that Oregon data is secure.

Recommendations:

To improve application controls, we recommend DOR management:

1. Consider notifying taxpayers claiming no withholding if withholding records are found; and

Management Response: Agree. As noted in the Secretary of State audit report, tax returns where the taxpayer claims no withholding, but where withholding has been reported by an employer, represent a small percentage of all Oregon Form 40 returns (0.2% of all processed Oregon Form 40 returns and 0.04% of all reported withholding). DOR will further evaluate the impact of notifying these taxpayers claiming no withholding if withholding records are found, and consider whether this compliance risk requires further action during the 2019 processing season.

2. Implement controls to track and analyze how interface file failures are resolved.

Management Response: Agree. GenTax produces a report that details the results of the interfaces process in the nightly run called "Daily File Activity." This report has been updated to include developer and business contacts for each file. A procedure is being written, staff are being trained and development staff will review the file activity report daily and resolve any exceptions and document in the notes section the resolution.

To strengthen logical access controls, we recommend DOR management:

3. Identify and document which GenTax roles should not be combined with others;

Management Response: Agree. A segregation of duties review was completed in October 2017 by a project Business Analyst. Based on this audit's recommendation we will revisit the October 2017

suggestions and develop documentation identifying incompatible roles in addition to updates to policies and procedures.

4. Fully document GenTax groups and functions and ensure managers have received instructions on how to request access;

Management Response: Agree. Although we currently have groups and functions identified, the understanding of how they work within GenTax and how access to one group could impact access to another group needs further development. We will ensure that all groups contain detail of the functions included in each group and that managers receive appropriate training and documentation.

5. Improve procedures to ensure user access is removed timely and completely when no longer needed;

Management Response: Agree. We will update our existing policies and procedures to specifically address access and temporary access due to special project assignments in our GenTax environment. Additionally, we have updated the GenTax security document so that in addition to adding a system access end date we will remove access to all GenTax groups that the employee previously had. If an employee is rehired, they will no longer automatically have access to prior authorities in GenTax.

6. Update policy to require periodic manager review of logical access granted to GenTax and develop a mechanism to enforce and document the review; and

Management Response: Agree. We will work with our Security Policy Committee to modify the roles and access policy and procedure to ensure there is periodic and systematic managerial review of logical access.

7. Implement monitoring of logs to identify inappropriate activity taken by server administrators.

Management Response: Agree. We recently installed a threat protection software, on all GenTax servers and it has now been configured to generate reports for monitoring. This will allow us to examine the server and files for access and integrate the log review into our existing process.

To strengthen change management procedures, we recommend management:

8. Develop more specific guidance for individuals testing system changes to ensure that all elements are appropriately considered.

Management Response: Agree. A "testing lead" will work with developers and business analysts to create testing plans and establish a framework.

To strengthen disaster recovery procedures, we recommend management:

9. Develop and maintain a written disaster recovery plan for GenTax; and

Management Response: Agree. This finding was discussed with DOR during a fall SOS briefing. The initiative was taken at that time to develop this plan. The current draft plan covers a strategy that is

and must be shared with the agency's service provider, DAS-Enterprise Technology Services. The plan was shared with them for review in January. Certain details will need to be added or updated as the plan is tested. We are currently scheduled to validate the plan with ETS, via a table-top exercise, in the spring of 2018.

10. Periodically test backups stored off-site to ensure they can be used to restore GenTax fully in the event of a major disruption or outage.

Management Response: Agree. The first step for solidifying the GenTax environment for recovery from a major disaster was recently completed. The entire environment (application servers, database servers, etc.) have been migrated to ETS' more modern virtualized environment which improves availability and uptime. The disaster plan and strategy referenced in Recommendation #9 above discusses how DOR will leverage this new infrastructure to improve the feasibility for complete recovery. DOR is dependent on DAS-ETS.

To provide additional assurance that personal income tax data is protected, we recommend management:

11. Request an independent security review of controls over servers operated by FAST Data Services.

Management Response: Agree. During the procurement/contract signing phase, FAST Data Services-Information Security Office went through in detail the security and attestation process with DOR's Information Security Office. DOR Information Security Office was satisfied with the controls they have in place which aligns with industry best practices. Additionally, given that the data that the DOR sends to FAST Data Services is, as SOS has validated, highly encrypted both at rest and in transit, a risk of a data breach resulting in useful information is statistically improbable. This is likely why FAST's other U.S. state customers, which number more than half the country, also have not requested an independent security review. However, DOR will inquire with FAST to understand if a separate third-party entity has validated their controls. If we find this to be true, we will ask for documentation of this third-party validation. Future contract negotiations with FAST Data Services will create opportunities to readdress the third-party validation requirement.

Culture and Customer Service Audit

Key findings:

1. Opportunities exist to enhance DOR's operating culture and employee morale. Specifically, DOR management should develop a formal strategy and take action to better incorporate collaborative values within the agency. The strategy should include robust internal communications, an effective accountability framework, a collaborative feedback process, and improved workplace interactions.
2. The agency's customer satisfaction declined between 2013 and 2016. A portion of this decrease was due to implementation of a critical and complex system known as GenTax. DOR has already identified and addressed a number of customer service deficiencies; as a result, customer service ratings increased in 2017 and 2018. DOR should complete efforts underway to address these challenges.

Recommendations:

To begin to incorporate the values of a collaborative culture that employees, including management and staff, prefer, DOR leadership should:

1. Determine and implement an appropriate level of internal communications that provide employees with information they need to do their job and provides a sense of the agency's purpose and goals. For example, the agency's strategic plan should communicate DOR's goals and the specific actions required to achieve them.

Management Response: Agree. DOR management has taken several steps recently to enhance internal communications. The first DOR newsletter in almost ten years was released last week. A DOR strategic priorities document that communicates DOR's agency-wide priorities and related goals for achieving them will be released in the very near future. DOR leadership continues to hold periodic town hall meetings and is working with senior and mid-level managers to create more consistent cascading of information throughout the agency. Management is committed to continuing to pursue new and more effective methods of communicating with our staff.

2. Implement an effective accountability framework that at a minimum sets clear and measurable expectations and feedback to address employee performance. For example:

- Track employee position descriptions to ensure employees have updated and accurate descriptions of their work.
- Track employee performance evaluations to ensure employees receive timely feedback on their performance.
- Ensure position descriptions and performance evaluation standards are clear and consistently applied.
- Ensure that managers and supervisors have the requisite training and skills.
- Consult with the Department of Administrative Services' Human Resource Office, for assistance with supervisor training and development.

Management Response: Agree. In response to this recommendation, the DOR Human Resources (HR) Administrator will take responsibility for tracking employee position descriptions and helping

managers ensure they are updated and accurate. DOR management will begin tracking timeliness of performance evaluations to ensure that all employees receive periodic performance evaluations. Training has been a long-standing agency priority that is measured as a Key Performance Measure. Defining “requisite” training for managers and supervisors can be challenging, so, the agency may consult with Department of Administrative Services on this topic. Leadership continues to encourage managers and supervisors to be proactive about pursuing training that will help them be more effective in their role, particularly new managers and supervisors. Turnover in key positions within HR will mean that implementation of this recommendation will take longer than the expected 6 months.

3. Complete the current feedback system by including a mechanism to inform staff of the status and outcome of their submitted ideas. Refer to the Oregon Department of Human Services and the guidance for the federal agencies' examples cited in the report.

Management Response: Agree. DOR has some specific functioning feedback systems, however, effectiveness of these feedback systems has not been reviewed recently. Management plans to evaluate the current feedback system and, based on findings, identify possible improvements that ensure staff are informed of the status and outcome of their submitted ideas. Again, turnover in key positions within HR may delay implementation, so, a realistic target of December 31, 2019 has been established.

Furthermore, DOR leadership should:

4. Work with the Department of Administrative Services, Labor Relations unit to clarify the roles of the Joint Labor Management Committee members to strengthen the labor/management relationship throughout the agency.

Management Response: Agree. DOR management is committed to having effective relationships with the Joint Labor Management Committee members. The agency will seek the Department of Administrative Services, Labor Relations Unit’s guidance on ways to strengthen the labor/management relationship at DOR.

5. Complete efforts underway to address customer service challenges and report the progress to stakeholders. Reporting should include information that clearly explains the factors that impact customer service and factors that impact the data used to report on customer satisfaction. The following are examples of pending efforts:

- Develop staffing plans for call centers that leverage resource sharing and seasonal staffing options to reduce call wait times.
- Add an agency customer service coordinator.
- Train and educate employees on customer service expectations.

Management Response: Agree. DOR management will continue to complete efforts currently underway to address customer service challenges. Many initiatives have already been completed. Customer service will remain an ongoing focus for the agency. DOR management will evaluate current staffing levels and work flow to find opportunities where we may be able to resource share among the agency’s various call centers. Currently, DOR has a manager assigned to review

information gathered from customer service surveys and implements appropriate changes as identified. The agency will continue to evaluate opportunities to seek and resource an agency customer service coordinator position through the budget process or other potential resource repurposing. DOR will continue to train and educate employees on customer service expectations and will develop training plans that embed this activity in our operations. Currently, some areas of DOR use quality assurance reviews to ensure service and information is accurate and provided timely. The agency will ensure all areas within the call centers develop quality assurance review plans.

CSR Expenditure/RFP/CAFFA Review

Key findings:

We concluded that the department performed due diligence in monitoring the contract, expenditures were appropriate and documented, and ongoing expenditures are reasonable and necessary for continued functionality of the new system.

1. Use of bond funds appropriate for purposes of the CSR.
2. Use of General Fund monies reasonable and appropriate for purposes of the CSR.
3. Expenditures within approved budgetary appropriations and limitations.
4. Future costs were anticipated for the system.
5. Staff positions eliminated and vacant prior to elimination.
6. Contract and amendments with FAST Enterprises, LLC met legal sufficiency.
7. Department received all deliverables as described in the contract and amendments with FAST Enterprises, LLC.
8. Amendments to the contract with FAST Enterprises, LLC were necessary and reasonable.

We also found the revenues collected under the CAFFA program generally agree to the information independently confirmed by the counties. However, there is a risk that counties may not provide all of the applicable revenues if the number of recording fee transactions is not easily identified by the counties. In addition, we are unable to conclude about the appropriateness of the expenditures paid with CAFFA funds, but the external review of the cost allocation system may provide clarity on this issue.

1. Counties' calculations of revenues from interest on delinquent property taxes appear accurate.
2. Inflation has affected revenues collected by the counties.
3. Improvement needed to ensure accuracy of counties' calculations of filing fees.
4. Department made timely distributions to counties and housing.
5. Department contracted for an external review of its cost allocation system.

Recommendations:

1. We recommend that the department consider periodically performing procedures to verify the accuracy and completeness of the revenues provided by the counties.

Management Response: Agree. Per Secretary of State, no written response required.

2. We recommend the department consider the results of the external review and perform any necessary adjustments to the process to ensure uses of CAFFA funds are in accordance with statutory limitations.

Management Response: Agree. Per Secretary of State, no written response required.

Annual Financial Audit (CAFR) FY2018

Key findings:

During the course of our audit, we became aware of the following matters that are considered opportunities for strengthening internal controls. These matters do not require a written response from management.

- Incorrect transfers of cigarette tax revenue.
- Strengthen controls over financial reporting.

Recommendations:

1. Cigarette distribution tax updates in the allocation tables in the department's subsidiary accounting system, GenTax;

Management Response: Agree. Per Secretary of State, no written response required.

2. Detailed taxes receivable methodologies that document fundamental balances to be used for calculations, and any current year changes or decisions for future management needs; and

Management Response: Agree. Per Secretary of State, no written response required.

3. Review processes designed to help detect calculation errors.

Management Response: Agree. Per Secretary of State, no written response required.

Annual Financial Audit (CAFR) FY2017

Key findings:

1. Improve Year-end financial procedures to ensure inter-fund transactions are balanced.
2. Perform and review key cash reconciliations on a regular and timely basis.
3. Strengthen controls over system access.

Recommendations:

1. We recommend department management develop year-end accrual procedures to help ensure accurate and complete year-end financial reporting, which includes ensuring all inter-fund transactions are balanced.

Management Response: Agree. The department will pursue the following corrective actions: (a) update procedures to ensure that all year-end adjustments were accurate and complete; (b) create a checklist for any distribution activities as well as year-end activities. These checklists will contain specific instructions to confirm revenues are in the correct receipted fund and no funds remain with a negative balance; (c) add the checklist to the performance tracking spreadsheet for the accounting unit. The accounting manager or lead accountant will be responsible for verifying the task has been completed.

2. We recommend department management ensure all key cash reconciliations are completed consistently and timely and are separately reviewed and approved.

Management Response: Agree. The department will pursue the following corrective actions: (a) continued focus on reconciliation completion by the accounting manager through monthly reviews of a performance tracking spreadsheet. Clearly assign and identify preparers and reviewers for each reconciliation and hold team accountable; (b) partner with Revenue's internal auditors for review of compliance with authoritative guidance, efficiency and training opportunities, and best practices; (c) fill all vacant positions to reach necessary staffing levels to complete all work timely; (d) hire temporary employee to train accountants, provide support and act as a resource for questions or areas of deficiency.

3. We recommend department management ensure system access be thoroughly reviewed for employees changing positions within the department and system access rights be timely updated.

Management Response: Agree. The department will pursue the following corrective action: (a) finance managers to review and enforce use of separation checklist to ensure all access is appropriately and timely terminated; (b) retain copy of termination request in employee file; (c) institute quarterly review of all access involved with finance duties and update as necessary.

Oregon Department of Revenue 2017–19 Integrated Budget Note Report

February 27, 2019

Context

The 2017 Legislature identified nine budget notes that targeted improvements within the agency. For purposes of this report, the budget notes are summarized as impacting customer service, operations, or core business service delivery. The table that follows summarizes the status of each budget note:

Budget Notes	Legislative Review
Improve Taxpayer Assistance - Improving Delivery of Taxpayer Assistance	Receipt Acknowledged, February 2018
Operational Improvements	
➤ State Accounting and Budget Review	Receipt Acknowledged, February 2018
➤ Comprehensive External Audit	Submitted February 19, 2019, Review Pending
➤ Processing Center Modernization Project	Receipt Acknowledged, February 2018
➤ Core System Replacement Reporting	Receipt Acknowledged, February 2018
➤ Review of Personnel Practices and Legislatively Authorized Positions	Receipt Acknowledged, February 2018
➤ Outcome Based Management Assessment	Submitted February 19, 2019, Review Pending
Business Service Delivery Enhancements	
➤ 2018 Tax Season Readiness Report	Receipt Acknowledged, November 2017
➤ Collections Structure Feasibility Study	Submitted February 19, 2019, Review Pending

The agency has submitted reports to the Legislature for all 2017 legislative budget notes. Six of the budget notes were reviewed by a prior legislative body that “acknowledged receipt of the report.” This is typically the indication that a budget note is complete. Three budget notes will be reviewed by the 2019 Legislature.

The majority of the findings and actions taken in response to the above budget notes will be completed by the end of the 2017-19 biennium. Some activities have resulted in permanent ongoing improvements, and, in a few cases, some implementation activities will extend into future biennia. In The following table, Summary of 2019-21 Budget Note Impacts and Ongoing Work, provides a high-level recap of the impacts of each budget note on the agency.

The remainder of this report details the scope, findings, activities taken, next steps and costs, and benefits for each budget note.

Summary of 2019-21 Budget Note Impacts and Ongoing Work

Budget Note	Summary of Impacts	Ongoing Work
Improving Delivery of Taxpayer Assistance	Improved data collection and response to taxpayer feedback resulting in 84% improvement in customer service KPM and 23 percent increase in taxpayer assistance KPM results between 2016 and 2018.	Continuation of an internal cross-functional customer service review team and exploration of improvements to technology that allow taxpayers to access more personalized tax information via their phone will be ongoing work during 2019-21 biennium.
State Accounting and Budget Review	This preliminary review identified significant shortcomings with processes and practices in the Financial Services Division (FSD). A comprehensive integrated FSD Improvement Plan was developed that has supported efforts to transform FSD.	Maturing business processes, documentation and monitoring of improvements to cost allocation system will continue into the 2019-21 biennium.
Comprehensive External Audit	Audit affirmed prior findings, with some additional recognition of IT system constraints. Recommendations were integrated into the existing FSD Improvement Plan. Executing this Plan will reduce risk, strengthen controls and enhance financial performance efficiency and effectiveness.	Maturing business processes, documentation and monitoring of improvements to cost allocation system will continue into the 2019-21 biennium.
Processing Center Modernization Project	This project replaces DOR's aging and, in some cases unsupported, paper return and payment processing systems with a supportable modern system that automates several manual, paper processes. Automation will create some efficiencies, allow possibilities for continuous improvement of processing center activities, enhance security, and minimize the agency's filing and storage footprint.	DOR continues to work with the Office of the State Chief Information Officer (OSCIO) and complied with Stage Gate requirements. The project has successfully moved through the first of three phases of implementation. A second and third phase are expected to be completed during the 2019-21 biennium.
Core Systems Replacement Reporting	The agency's project to install new technology was completed during the 2017-19 biennium. The new system is effectively being used for complete tax administration – processing returns and payments, auditing and collecting, providing online services, and corresponding with customers. In time and with sufficient support and maintenance resources, the agency anticipates leveraging additional features associated with the new system to improve core business processes and agency outcomes.	Operationalization and stabilization of DOR's business processes to support and use the new system will continue into the next couple of biennia. A high-level plan for navigating through stabilization to normalization of processes is being developed within the agency leadership.
Review of Personnel Practices and Legislatively Authorized Positions	An internal review of position management practices identified position funding, classification, double-fills and other position usage errors. Approximately 12% of the agency's positions were identified as needing corrective action. The 2018 Legislature approved a plan to remedied most of the errors.	All the discrete actions identified during reviews under this budget note are complete. Continued work operationalizing and stabilizing processes post CSR may lead to the need for further adjustments, which will follow new processes and practices identified during the reviews.

Budget Note	Summary of Impacts	Ongoing Work
Outcome Based Management Assessment	Deloitte’s readiness assessment indicated that overall organizational performance management process maturity falls between “limited” and “developing,” which means processes need to further mature before reaching the higher level of “performing.” Continued investment will enable the agency to mature processes that enable more integrated agency performance management.	During the 2019-21 biennium the agency would like to conduct a deeper dive into strategic planning followed by developing or refreshing business operational plans; improve metric alignment and reporting tools and ensure effective aligned between this work and ongoing post CSR process stabilization efforts.
2018 Tax Season Readiness Report	As a follow-up to the legislative reports, the agency piloted centralized project management for the 2019 processing season. The goal of the work was to improve communications, cross-functional issue resolution, and timeliness of preparation for each unique tax season.	The initial pilot suggests that this approach is something to operationalize within the agency’s shared project management area. A developmental project manager was just reassigned to lead coordination of the 2020 tax season processing.
Collections Structure Feasibility Study	The goal for this report is to evaluate the agency’s plan for organizing the collections function to achieve benefits that align with DOR’s strategic priorities. The report concludes that centralizing the collections function most closely aligns with our strategic priorities.	DOR plans on centralizing the collections function in phases over the next two biennia. The preliminary timeline has the agency transitioning to an interim structure for accountability and leadership in the near future, with a focus on planning for the reorganization, likely during the 2021–23 biennium.

Improve Taxpayer Assistance

The impetus behind this budget note was concern for the agency's declining performance on the Customer Service and Taxpayer Assistance Key Performance Measures (KPMs #4 and #5) and increases in complaints. The agency's Core Systems Replacement (CSR) project and other factors have created new challenges for effective management of customer experiences. The agency is committed to delivering effective customer service as it is a key driver of voluntary compliance, an important business outcome. The agency remains committed to improving taxpayer assistance and going forward will pursue several actions to achieve a strategic priority to Enhance Taxpayer Assistance.

Improving Delivery of Taxpayer Assistance Budget Note

<p>Budget Note: <i>The Department of Revenue is to identify deficiencies in the current delivery of effective taxpayer assistance and develop a plan for addressing deficiencies and increasing agency performance under Key Performance Measure #5—Effective Taxpayer Assistance. The department is to report its findings to the Joint Committee on Ways and Means during the Legislative session in 2018.</i></p>		
<p>Findings: An agency internal review identified four day-to-day deficiencies that contribute to taxpayer satisfaction: time to issue refunds, Revenue Online navigation, wait times, and clarity of notices. The agency identified 14 discrete improvement actions to address issues identified. Examples include:</p> <ul style="list-style-type: none"> • Adding Fossil Call Center, October 2018 • Audits and improvement of phone trees and staffing strategies within call centers • Increased monitoring and staffing of refund processing to ensure bottlenecks are addressed in a timely manner. • Improved Revenue Online features for tax preparers and <i>Where's My Refund</i> users. <p>A few of the identified recommendations have become ongoing activities that are integrated into business practices. Plans for a more comprehensive review of technology options for improving taxpayer access to personal tax information via their phones was delayed because the current Integrated Voice Response (IVR) supplier contract expires in November 2019.</p>	<p>Actions Completed</p>	<p>Date</p>
	Hired external consultant to assess customer service KPM data collection, use, and reporting for areas to improve.	May 2018
	Identified and implemented a list of actions that target continued improvements to taxpayer assistance.	Dec. 2017
	Reported findings and recommendations to 2018 Legislature, report was accepted.	Feb. 2018
	Established tracking tool for recommendations and reported monthly progress to Revenue Leadership Team (RLT).	July 2018
	<p>2019-21 Activities</p> <ul style="list-style-type: none"> • Taxpayer correspondence reviews for continuous improvement. • Continuation of cross-functional customer service review team and related reporting practices. • Additional enhancements to Revenue Online. • Resume work exploring technology options for improving taxpayer access to personalized tax information via their phones. 	<p>Target</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Dec. 2020</p>
	<p>Description of Costs and Benefits: 2018 Legislature approved \$535,642 Total Funds, 7 Pos/2.92 FTE to staff a remote customer service call center in Fossil, OR. Improved data collection as well as execution of several improvement recommendations has led to significant performance improvements for KPM #4 and KPM #5; 84 percent and 23 percent respectively for reporting years 2016 to 2018.</p>	

Operational Improvements

Six budget notes target operational improvements: two direct evaluations of agency finance management processes, two are focused on information technology, one on human resource management and one on outcome-based management. These budget notes all support important infrastructure improvements and contribute towards Operational Excellence; a DOR strategic priority for the 2017-21 biennia.

State Accounting and Budget Review Budget Note

<p>Budget Note: <i>The Department of Revenue, under the direction of the Department of Administrative (DAS) Services Chief Financial Officer, is directed to undertake a comprehensive review of the department's accounting practices and Statewide Financial Management Application structure and its alignment with ORBITS. The review is to include the agency's cost allocation system. The agency and DAS are to jointly report their findings to the Joint Committee of Ways and Means during the Legislative session in 2018.</i></p>		
<p>Findings: Agency worked with DAS to complete the review. Findings identified improvements related to staffing, cost allocation, systems, accounting and budget structure, policies, and best practices. There were over 15 discrete actions identified for follow-up. The Legislature provided additional positions to address staffing deficiencies. Recommendations from this budget note and various financial management audits were integrated into a Financial Services Division (FSD) Improvement Plan. Approximately 82% of the plan will be completed by the end of the 2017-19 biennium. Key milestones include full staffing, adjustments to budget structure to create more consistency and transparency, improvements to Agency Request Budget development tools and processes, changes in management of fiscal impact coordination to ensure more accuracy, and staff training in state accounting and budget systems and tools.</p>	<p>Actions Completed or Planned</p>	<p>Date</p>
	DAS CFO review and report complete	Nov. 2017
	Reported findings and recommendations to 2018 Legislature, report was accepted.	Feb. 2018
	Developed integrated FSD Improvement Plan that is reviewed and updated monthly.	May 2018
	Received SOS CAFR audit with no additional findings.	January 2019
	Hire a senior budget analyst for continuity and to help train junior analysts.	March 2019
	Realign budget structure with accounting structure.	June 2019
	Restructure agency's cost allocation system launches.	June 2019
	Develop and implement at training plan for budget analysts.	June 2019
		<p>2019-21 Activities</p> <ul style="list-style-type: none"> Continue efforts to document improvements to processes, roles and responsibilities, and procedures (desk manuals) for FSD. Continue staff training and team development functions to ensure programs are provided improved levels of financial support services. Review and make adjustments to restructured cost allocation system as needed to improve cost sharing for central services (indirect). Establish a suite of operating measures to better manage ongoing performance.
<p>Description of Costs and Benefits: The 2018 Legislature provided three limited duration positions (2 ACT4, 1 FA3) to support this work (cost \$436,955). Navigating change management dynamics and a lack of dedicated information technology support resources has impacted the timelines. Ultimately, executing activities on the FSD Improvement Plan will reduce risk, strengthen controls and enhance financial performance efficiency and effectiveness.</p>		

Comprehensive External Audit Budget Note

Budget Note: *The Department of Revenue, under the guidance of the Secretary of State’s Audits Division, and based upon the direction of the Joint Legislative Audit Committee (JLAC), is directed to contract for a comprehensive external audit of the agency. The department is to submit the audit, and agency response, to JLAC no later than May 2018.*

<p>Findings: The agency hired Moss Adams to complete an independent review of the agency’s financial management practices to identify key areas for improvement. The audit produced 10 improvement recommendations related to:</p> <ul style="list-style-type: none"> • Policies and procedures • Improved IT applications • Staff training and development • Recruitment and Retention • Reconciliations practices • Cross-functional coordination • Year-end accounting • Chart of accounts • Indirect costing practices • Cost allocation processes <p>Work was already underway to resolve several of the findings identified given the financial review conducted previously and the existence of a FSD Improvement Plan.</p> <p>A Secretary of State culture audit and the outcome-based management assessment results also provide insights on overall agency effectiveness and areas for potential improvement.</p>	Actions Completed or Planned	Date
	Recruitment of Financial Auditor – Moss Adams.	May 2018
	Submitted letter to JLAC, meeting was cancelled.	May 2018
	Submitted letter and reported to JLAC.	Sept. 2018
	Moss Adams audit complete.	Nov. 2018
	Recommendations from audit integrated into comprehensive FSD Improvement Plan.	Dec. 2018
	Report to 2019 Legislature.	Feb. 2019
	Review and refine chart of accounts.	June 2019
	Restructure agency’s cost allocation system launches.	June 2019
	Develop and implement at training plan for budget analysts.	June 2019
	2019-21 Activities	Target
	<ul style="list-style-type: none"> • Continue efforts to document improvements to processes, roles and responsibilities, and procedures (desk manuals) for FSD. • Continue staff training and team development functions to ensure programs are provided improved levels of financial support services. • Review and make adjustments to restructured cost allocation system as needed to improve cost sharing for central services (indirect). • Ensure all accountants have completed or are currently enrolled in SFMA training; continue to identify opportunities to leverage GenTax to reduce manual work. • Prepare and review reconciliations in a timely manner. • Create a more cohesive link between IT developers and meeting the needs of the accounting section. 	<p>Ongoing</p> <p>Ongoing</p> <p>July to December 2019</p> <p>Ongoing</p> <p>Ongoing</p>

Description of Costs and Benefits: The 2017 Legislature approved \$150,000 Total Funds for this audit. The agency paid \$68,000 to Moss Adams for the financial audit. Benefits were validating that prior review findings were relevant and that actions underway will address issues identified. Executing activities on the FSD Improvement Plan will reduce risk, strengthen controls and enhance financial performance efficiency and effectiveness.

Processing Center Modernization Project Budget Note

Budget Note: *The Department of Revenue, under direction of Department of Administrative Service—Office of the State Chief Information Officer (DAS OSCIO), is directed to re-initiate the Processing Center Modernization Project. The agency and DAS OSCIO are to jointly report the status of the project to the Joint Committee on Information Management and Technology (JCIMT) and the Joint Committee on Ways and Means (JCWM) during the Legislative Session in 2018.*

<p>Findings: The budget note reported on the re-initiation of an important automation and efficiency project. The report provided information on project status and coordination with the Office of the State’s Chief Information Officer’s (OSCIO) Stage Gate process. While the report was not presented as a joint report, the agency has complied with Stage Gate requirements. A quality assurance (QA) vendor has been hired and continues to offer feedback on how to ensure ongoing effective management of this project.</p> <p>The project has successfully moved through the first of three phases of implementation. A second and third phase are expected to be completed during the 2019-21 biennium. The project is currently on schedule and within the approved budget.</p>	Actions Completed	Date
	Agency report was submitted to the 2018 JCIMT and JCWM; report was accepted.	Feb. 2018
	Quarterly reports OSCIO and LFO	Ongoing
	2019-21 Activities	Target
	The Governor’s Budget includes a policy package (POP 111) that requests \$847,833 to fund remaining elements of this project.	Completion, Spring of 2021

Description of Costs and Benefits: 2017 Legislature POP 112 approved \$1.5 million in total funds for software. The 2018 Legislature decreased expenditures by \$657,188 Total Funds. This project replaces DOR’s aging, and in some cases unsupported, paper return and payment processing systems with a supportable modern system. Additionally, the new system automates several processes that have been largely manual and significantly reduces the agency’s paper filing and storage needs. We expect automation will create some efficiencies, allow more possibilities for continuous improvement of processing center activities, enhance security, and minimize the agency’s filing and storage footprint.

Core Systems Replacement Reporting Budget Note

Budget Note: *The Department of Revenue and Department of Administrative Services—Office of the State Chief Information Officer (DAS OSCIO) are to jointly report on the status of the Core Systems Replacement project and any related Secretary of State audits to both the Interim Joint Legislative Committee on Information Management and Technology (IJCIMT) and the Interim Joint Committee on Ways and Means (IJCWM) during Legislative Days in September and November 2017, and to JLCIMT and JCWM during the Legislative session in 2018.*

Findings: The agency presented requested reports in September, November, and during the 2018 Session about the status of the project and related audits satisfying the requirements of the budget note.

Since completing the budget note reports, two related Secretary of State audits were completed:

- February 2018, Secretary of State (SOS) “DOR GenTax Accurately Processes tax Returns and Payments...” audit concluded, “GenTax controls ensure accurate input of tax return and payment information...additional processing and output controls assure that GenTax issues appropriate refunds and bills to taxpayers.” The audit also looked a GenTax security and access and identified eleven recommended improvements which are currently being implemented.
- November 2018: SOS review of DOR Core System Replacement (CSR) project concluded, “the department performed due diligence in monitoring the contract, expenditures were appropriate and documented, and ongoing expenditures are reasonable and necessary for continued functionality of the new system.” The review also stated that “operational services, maintenance, and support options selected by the department appear necessary and reasonable.” There were no recommendations issued with this review.

The LFO analysis of the 2018 Session report asked that the agency clarify questions around completion, system configuration, integration of GenTax into operations, ongoing costs and anticipated benefits from the project. While the system installation has been completed, the agency anticipates that operationalization and stabilization of DOR’s business processes to support and use the new system will continue into the next couple of biennia. A high-level plan for navigating through stabilization to normalization of processes will be discussed with the 2019 Legislature.

Actions Completed	Date
Report presented and received by JLCIMT—deferred from IJWM agenda.	Sept. 2017
Report presented and received by JLCIMT—deferred from IJWM agenda.	Nov. 2017
Agency report was submitted to the 2018 JCWM who acknowledged receipt of the report—deferred from IJCWM agenda.	Feb. 2018
2019-21 Activities	Target
CSR Project is complete. Operationalization and stabilization activities will continue into the next two biennia.	June 30, 2023

Description of Costs and Benefits:

The 2017 Legislature approved \$5,433,625 Total Funds for post-CSR implementation. The 2018 Legislature approved self-funded position adjustments that moved funds between programs. The CSR project replaced the agency’s primary computing platform mitigating risks related to business continuity were increasing with the former COBAL centered system. The new system is a commercial, off-the-shelf package, which means the agency has had to modify processes and train staff to work both in a new system and to follow different business processes. The new system is effectively being used for complete tax administration—processing returns and payments, auditing and collecting, providing online services, and corresponding with customers. In time and with sufficient support and maintenance resources, the agency anticipates leveraging additional features associated with the new system to make improvements to core business processes and agency outcomes.

Review of Personnel Practices and Legislatively Authorized Positions Budget Note

Budget Note: *The Department of Revenue, under direction of the state’s Chief Human Resource Officer (DAS CHRO), is directed to undertake a comprehensive review of the department’s personnel practices and legislatively authorized positions. This review is meant to achieve alignment between legislatively authorized positions and agency use of positions. The department is to take immediate steps to remedy any misalignment of positions identified by the review. The expectation is that the review will substantially reduce the number of vacant, double-filled, work out of class, and temporary work assignment positions within the agency. The department and state CHRO are to jointly report their finding and actions to the Joint Committee on Ways and Means during the Legislative session in 2018.*

<p>Findings: The impetus for the budget note was concern about inordinate levels of vacant positions, double-fills and work-out-of-class positions. A review by DAS CHRO identified deficiencies related to personnel management policies and practices. An internal review of positions from a budget perspective identified position funding, classification, double-fills and other position usage errors. Approximately 12% of the agency’s positions were identified as needing corrective action. The agency submitted a proposal to remedy most of the identified errors at a cost of \$1.8 million total funds and 43 Pos/11.31 FTE. Following the review, DOR developed a plan for administrative position adjustments and updating policies, procedures, and practices to align with CHRO standards that included training agency managers, so they are aware of standard state agency position management practices.</p> <p>All the discrete actions identified during reviews under this budget note are complete. Continued work operationalizing and stabilizing processes post CSR may lead to the need for further adjustments, which will follow new processes and practices identified during the reviews.</p>	Actions Completed	Date
	CHRO and DOR reviews conducted.	Dec. 2017
	Joint agency and CHRO review submitted to the 2018 Legislative Ways and Means Committee; report was accepted.	Feb. 2018
	Agency revised policies to ensure they align with CHRO standards and educated managers.	Sept. 2018
	Used 2019–21 budget development and administrative position adjustments to further enhance position alignment.	June, 2018
	2019-21 Activities	Target
<ul style="list-style-type: none"> • Continued adherence to tighter controls over double-fills, work out of class and job rotation work assignments. • Continued monthly reporting on position management practices to identify opportunities for continued improvements. 	Ongoing	
	Ongoing	

Description of Costs and Benefits:
 The 2019 Legislature provided \$928,651 GF and \$192,204 OF expenditure limitation and 7 pos / 4.51 FTE permanent and 27 FTE / 3.29 FTE seasonal staff to resolve alignment issues identified. This investment enabled DOR to correct position issues, resolve funding and classification gaps, and ensure proper alignment between the state’s payroll and accounting systems.

Outcome-based Management Budget Note

Budget Note: *The Department of Revenue, under the direction of the Department of Administrative Services—Office of the Director, is directed to contract for an outcome based management (OBM) assessment of the agency by a private firm. The Department of Revenue, and the director of the Department of Administrative Services, are to jointly report on the status of the assessment to the Legislature in 2018 and the Emergency Board in May 2018. The assessment, upon completion, is to be submitted to either the Emergency Board during the interim or Interim Joint Committee on Ways and Means by no later than December 2019.*

<p>Findings: DOR hired Deloitte via a competitive recruitment process to complete the assessment. Findings indicate:</p> <ul style="list-style-type: none"> • “While DOR has strategic priorities, the strategic planning processes are not well defined. • When testing alignment of metrics to identified business outcomes, different business units gravitate to different outcomes. • Key performance measures (KPM) are only partially aligned to business outcomes. • The operational metrics captured today do not tell a division-level business story; nor is a cross-agency picture painted by which progress can be assessed.” <p>Deloitte’s readiness assessment indicated that overall organizational maturity falls between “limited” and “developing,” which means processes need to further mature before reaching the higher level of “performing.” In addition, concerns were noted about agency data management, potential alignment issues between business processes and system configuration, and a need for additional organizational change management post Core Systems Replacement project completion.</p>	Actions Completed	Date
	Update presented and received by Interim Committee on Ways and Means.	January 2018
	Update letter submitted to the May Emergency Board—meeting cancelled.	May 2018
	Update presented and accepted at September Emergency Board.	Sept. 2019
	Policy Option Package on OBM included in Governor’s Budget.	Nov. 2018
	Report on assessment to 2019 Legislature.	Feb. 2019
	Anticipate giving 2019 Legislature new information related to KPMs and OBM POP.	March 2019
	2019-21 Activities	Target
<p>The agency would like to pursue the following.</p> <ul style="list-style-type: none"> • Conduct a deeper dive into strategic planning followed by development or refreshing operational plans that link program contributions to higher-level outcomes. • Improve metric alignment by linking operational performance indicators to relevant higher-level outcomes. This activity also includes creating reporting tools and processes to support data-driven performance management and decision-making. • While somewhat out of scope, the agency recognizes that there are cross-agency data management and business process stabilization issues that need to be addressed post CSR to bring about greater business stabilization and maturity. OBM system development needs to be aligned with this work and, in some cases, may support this effort. 	<p>3/30/20</p> <p>3/30/20</p> <p>7/1/21</p>	

Description of Costs and Benefits:
 The 2017 Legislature provided \$350,000 Total Funds for the execution of this budget note; \$259,750 was expended for the assessment and work plan. The 2018 Legislature provided a limited duration OPA 4 (0.67 FTE) to support OBM activities and budget note tracking, total cost \$188,063. Benefits include development of shared priorities, tools for monitoring progress on cross-agency priority work, and proposal for improving the Agency’s KPMs. Continued investment will enable the agency to build critical tools and processes that enable more rigorous, ongoing performance management.

Business Service Delivery

Two of the budget notes focus on activities related to the agency's business service delivery. One is focused on the agency's tax season readiness planning and the other was a study of the feasibility of combining collections activities across the agency. A closer look at season-up activities provided the agency with the opportunity to look for improvements to make the process more efficient and effective in future years. Season up for 2019 was particularly challenging given federal tax reform impacts. Finally, the agency is committed to finding the optimal structure and processes to support tax collection activities, which is the underlying goal of the feasibility study.

2018 Tax Season Readiness Report Budget Note

Budget Note: <i>The Department of Revenue is to report the agency's readiness status for the tax processing season in 2018 to the Interim Joint Committee on Ways and Means (IJCWM) in September of 2017.</i>		
<p>Findings: The agency reported in September 2017 and returned in November 2017 with a more comprehensive report and plan for agency readiness for the 2018 tax processing season.</p> <p>Following these reports, the agency piloted centralized project management for the 2019 processing season. This was resourced by reassigning an existing project manager for eight months. The goal of the work was to improve communications, cross-functional issue resolution, and timeliness of preparation for each unique tax season.</p> <p>The initial pilot suggests that this approach is something to operationalize within the agency's shared project management area. A developmental project manager was just reassigned to lead coordination of the 2020 tax season processing.</p>	Actions Completed	Date
	Report presented to IJCWM.	Sept. 2017
	Report presented and received by IJCWM.	Nov. 2017
	Applied project management tools and approach to coordination of 2019 season readiness activities.	January 2019
	2019-21 Activities	Target
The agency will continue to build on the standards created during the 2019 season readiness project. Work has already begun on preparing for the 2020 tax season.	Ongoing	
<p>Description of Costs and Benefits:</p> <p>The improved business process is resourced by temporarily redeploying resources to ensure effective cross-agency coordination of annual season-up efforts. The current process would involve having this annual activity be a rotating developmental opportunity for aspiring project managers, which is good for employee morale and agency performance management.</p>		

Collections Structure Feasibility Study Budget Note

Budget Note: *The Department of Revenue is to submit a feasibility study related to the establishment of a combined Collections Division. The feasibility study is to be submitted to the Interim Joint Committee on Ways and Means during Legislative Days in November 2017.*

<p>Findings: Agency worked with Legislative Fiscal Office to extend the deadline until the 2019 Legislative Session.</p> <p>The goal for this report is to share with the Legislature the agency’s plan for organizing the collections function to achieve benefits that align with DOR’s strategic priorities and efforts to stabilize agency operations. The agency’s strategic priorities formulated in 2018 are: optimize collections efforts, enhance taxpayer assistance, and cultivate operational excellence.</p> <p>Five organizational structures were evaluated for this report. DOR concludes that centralizing the collections function most closely aligns with our strategic priorities. DOR plans on centralizing the collections function in phases over the next two biennia. The preliminary timeline has the agency transitioning to an interim structure for accountability and leadership in the near future, with a focus on planning for the reorganization, likely during the 2021–23 biennium.</p> <p>In addition to the feasibility study directed under the 2017 Legislative Budget Note, the 2018 Legislature requested reports on:</p> <ul style="list-style-type: none"> • What collection functions were consolidated under SB 1067 (2017), from which agencies, and identify which agencies were exempt from consolidation and why. The department is also to prepare a detailed revenue estimate, by agency and fund-type, for SB 1067 (2017) and those agency accounts subject to consolidation • Agency’s use of private collections firms and private collection firm’s rates as compared to the agency’s internal collection activities and rates <p>All reports have been submitted to the 2019 Legislature for their review.</p> <p>DOR submitted the response on the agency’s use of private collections firms and collection rates in January 2019.</p>	Actions Completed	Date
	Report on assessment to 2019 Legislature.	March 2019
	Ongoing Work:	Date
	DOR plans on centralizing the collections function in phases over the next two biennia.	2019-23 biennia

Description of Costs and Benefits:
 The 2018 Legislature established a permanent Executive Manager G, 1 pos /0.5 FTE to serve as the agency’s Collections Administrator and approved expenditure limitation of \$184,140 OF for the 2017-19 biennium. The Collections Administrator was hired in October 2018. Initial activity includes oversight of the OAA section, finalizing collections-related budget note responses, and initial planning for the agency’s collections function moving forward.