

Day 2



Presentation to
Joint Committee on Ways and Means, Subcommittee on General Government



March 26, 2019

150-800-550-3

Human Resources Management

Personnel practices/authorized positions budget note

“The Department of Revenue, under the direction of the Department of Administrative Services-Chief Human Resource Office, is directed to undertake a comprehensive review of the Department of Revenue’s personnel practices and legislatively authorized positions. This review is meant to achieve alignment between legislatively authorized position authority and the agency’s use of positions. The Department of Revenue is to undertake immediate steps to remedy any misalignment of positions identified by the review. The expectation is that this review will substantially reduce the number of vacant, double-filled, work-out-of-class, and ‘temporary work assignment’ positions within the agency. The Department of Revenue and the Department of Administrative Services-Chief Human Resource Office are to jointly report their finding and actions to the Joint Committee on Ways and Means during the legislative session in 2018.”

Position management goals

- Correctly classified.
- Properly assigned to program.
- Appropriately funded.
- Budgeted within state system.
- Expensing aligned with budget model.

Recruitment activities

Recruitments	7/1/2017 to 12/31/2017	1/1/2018 to 6/30/2018	7/1/2018 to 12/31/2018	Total
Recruitments completed	41	52	68	161
Positions filled	66	83	116	265
Positions filled by internal candidate	41	45	64	150

Position management progress

	7/1/2017	1/1/2018	12/31/2018	Position change	% change
Vacancies	118	100	92	(26)	22%
Double fills	33	21	11	(22)	67%
Job rotations	107	66	33	(74)	69%

HR budget note results

- Updated related policies and procedures and tightened controls over use of double fills and job rotations.
- Aligned HR position management activities with budget processes.
- Significant improvements have been made in reducing double fills and job rotations.
- Most positions are recruited for as they become vacant.
- Remaining vacancy savings are generally a result of normal turnover.

Financial management

Financial Services Division review and audits



Secretary of State Annual CAFR Audit

DAS CFO Accounting and Budget Review

Comprehensive External Audit—Moss Adams

Review and audit results

SoS 2017 CAFR Audit

- Processes and procedures
- Reconciliation practices
- System access controls

DAS CFO review

- Processes and procedures
- Staffing and training
- Cost allocation model
- Accounting and budget structures
- Lack of best practices

Comprehensive Moss Adams audit

- Policies and procedures
- Staffing, training, and retention
- Cost allocation model
- Reconciliation practices
- IT applications
- Coordination
- Chart of accounts
- Year-end accounting
- Indirect costing practices

FSD improvement plan

- Initially 37 independent actions from the 2017 CAFR Audit, CFO Review and new administrators observations were included in the plan.
- Moss Adams audit findings were integrated into this plan.
- The agency anticipates having 80 percent of the plan completed by the end of the 2017-19 biennium.

Improvements made

- Workload is appropriately staffed.
- Completed core systems training.
- Improved fiscal impact and budget development processes.
- Adjusted budget structure to better align budget and business.
- Increased alignment between agency accounting and statewide accounting procedures and processes.
- Analyzed cost allocation model and identified solution for implementation at the start of the 2019-21 biennium.
- No new findings on the 2018 CAFR Audit.

Comprehensive external audit budget note

“The Department of Revenue, under the guidance of the Secretary of State Audits Division, and based upon the direction of the Joint Committee on Legislative Audits, is directed to contract for a comprehensive external audit of the agency.”

Audit themes and agency goals

Policies and procedures	Goal is clarity on roles and responsibilities and desk manuals.
IT applications	Goal is better integration between FSD and IT developers to produce a series of reports that meet reporting needs.
Staff training	Goal is for all staff to complete required trainings, have development plans in place, and receive regular performance reviews.
Recruitment and retention	Goal is to be fully staffed and to form and share a team vision. A new knowledge base is being developed.
Reconciliation practices	Goal is for all reconciliations to be prepared consistently and reviewed timely. Better data exchange between systems will provide more accurate reports.

Audit themes and agency goals

Cross-functional coordination	Accounting and budget structures are aligned. Progress has been made on identifying and tracking Other Funds. Goal is full integration.
Year-end accounting	Processes are documented and exercised as evidenced by the 2018 CAFR reporting “no new findings.”
Chart of accounts	Developed and aligned with budget structure. Currently in testing and validation phase.
Indirect-costing practices	Goal is to fully identify and document appropriate indirect costs and implement internal controls to ensure accuracy.
Cost-allocation processes	Goal is to review methodology and align with new budget and accounting structure to ensure appropriate and consistent allocation of indirect costs.

Improvements—Work remaining

- Employee engagement and training.
- Continuous improvement.
- New tools and processes.

Questions?

If you have additional questions after today,
please contact:

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Collections reports

Legislative review of collections reports

- *Report on Centralization of Statewide Collections.*
- *Report on Private Collection Firm Use and Collection Rates.*
- *Collections Structure Feasibility Study.*

Report on Centralization of Statewide Collections

Report on Centralization of Statewide Collections, HB 5201 (2018)

“Report on what collections 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.”

Report highlights

Impacted agencies:

All executive branch agencies.

Exempt agencies:

Non-executive branch and semi-independent agencies.

Functions consolidated:

- Private collection firm (PCF) management.
- Expanded offset efficiency.
- Enhanced reports.
- Debt collection analytics.
- Bankruptcy filings.

Estimates:

- Potential of \$12,682,000 in new debt being sent to Other Agency Accounts (OAA) annually.
- Calculated collections of \$634,100—mostly Other Funds (OF) revenues.

SB 1067 implementation benefits

- Centralized executive branch debt collection services and management of PCFs.
- Quicker assignment of debts to OAA and PCFs.
- Using enhanced analytics and risk ratings.
- Using the automated processes and data access available in DOR's new core system.

Report on Private Collection Firm Use and Collection Rates

Report on Private Collection Firm Use and Collection Rates, HB 5201 (2018)

“Report on the agency’s use of private collection firms and private collection firm’s rate as compared to the agency’s internal collection activities and rates.”

Comparison of collection tools

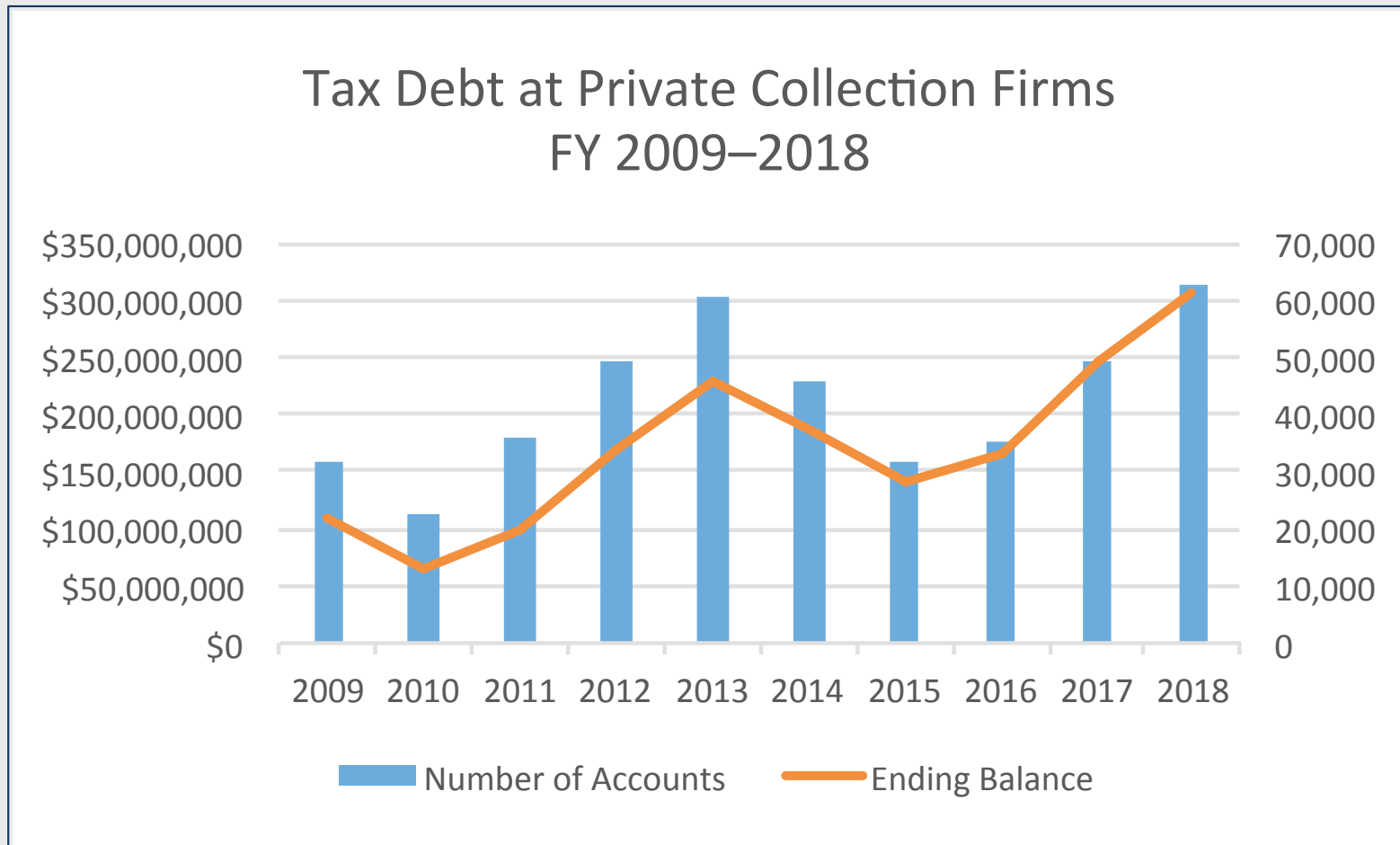
DOR agents can:

- Access confidential information.
- Access state agency databases.
- Issue garnishments and liens.
- Answer questions about Oregon tax programs.
- Make decision to cancel or write off debt.
- Negotiate settlement offers.
- Access FIDM information.
- Visit debtors.
- Access some skip-tracing tools.

PCFs can:

- Auto-dial outgoing phone calls, making contact a less manual process.
- Temporarily hire additional agents when workload exceeds capacity.
- More frequently access multiple fee-based skip tracing tools without procurement process constraints.

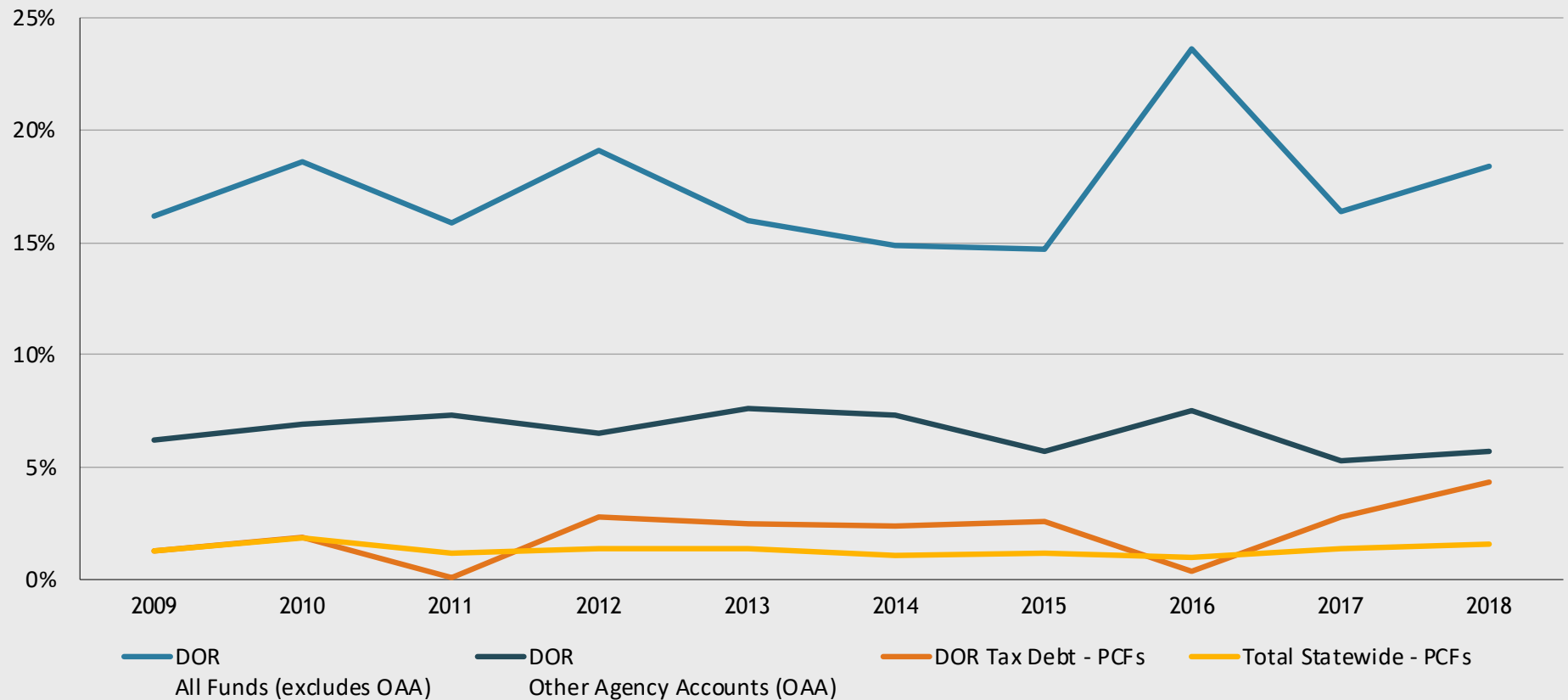
Accounts receivable at PCFs



Source: L&D reports from LFO. Submissions by DOR to LFO for inclusion in L&D reports.

Collection rates

LFO Report on Liquidated and Delinquent Accounts FY 2009–2018



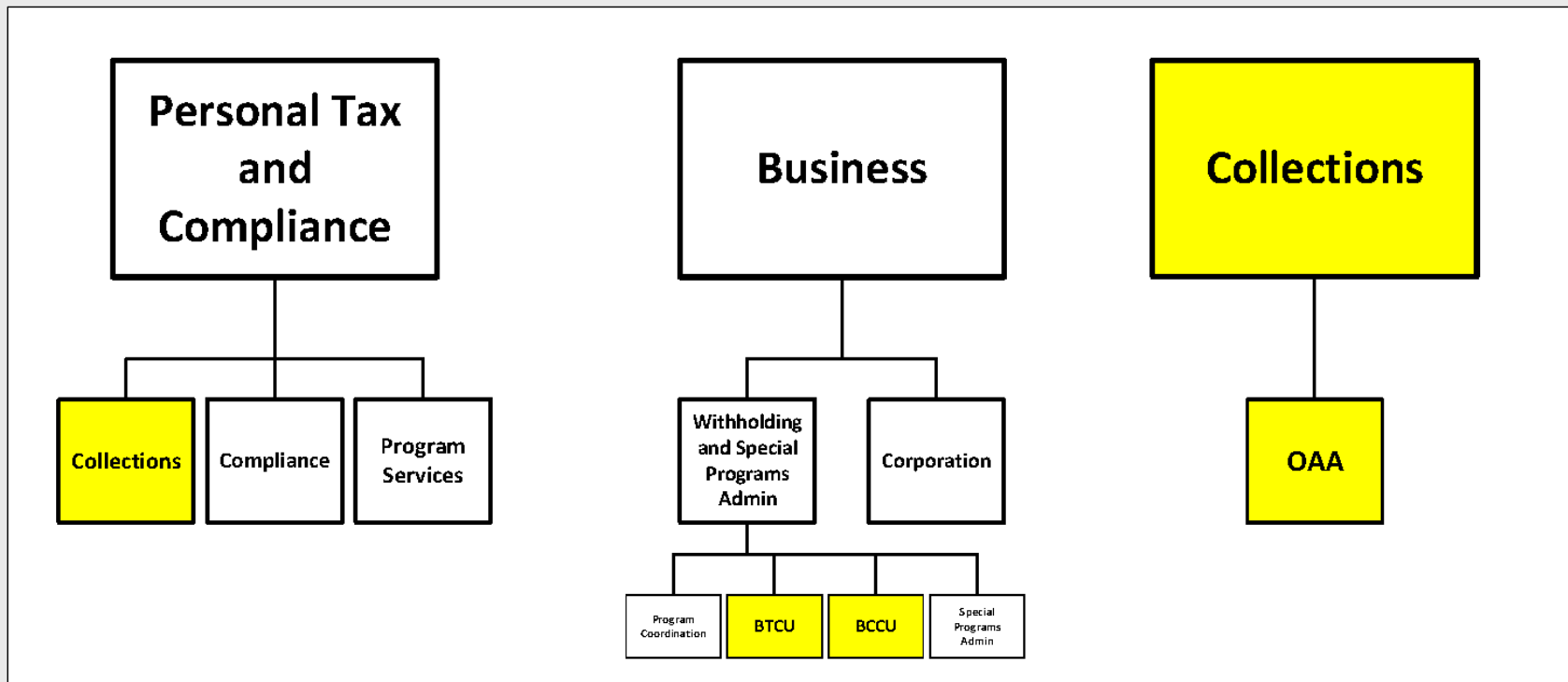
Source: L&D reports from LFO. Submissions by DOR to LFO for inclusion in L&D reports.

Collections Structure Feasibility Study

Collections Structure Feasibility Study, HB 5535 (2017)

“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.”

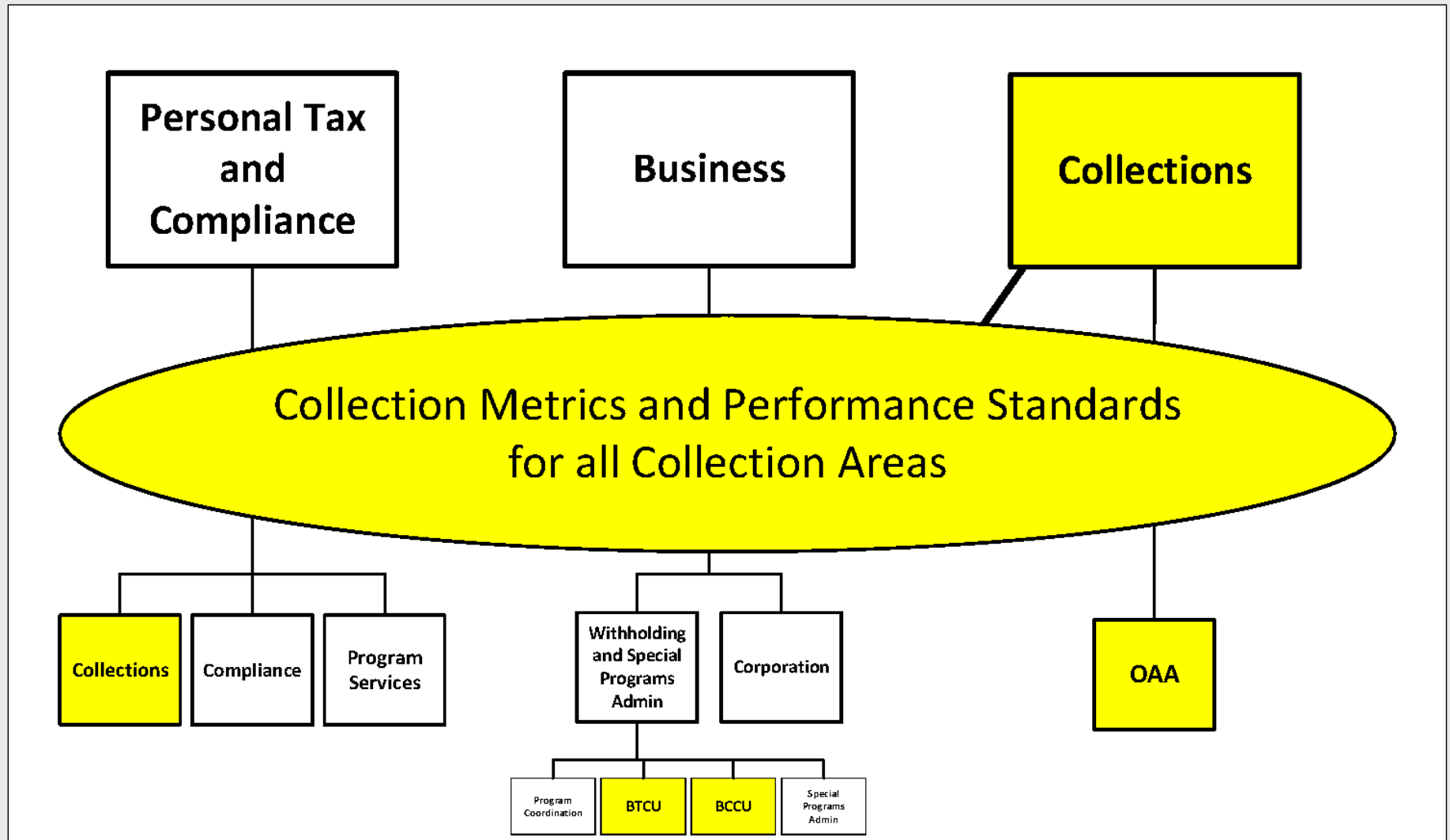
Current structure



Options considered

1. Current structure (Other Agency Accounts only).
2. Current structure, plus responsibility for agency-wide metrics and standards for collections.
3. Centralize all collections work, but keep programmatic focus.
4. Centralize all collections work without programmatic focus.
5. Outsource collections work to private collection firms.

Current structure + (option 2)

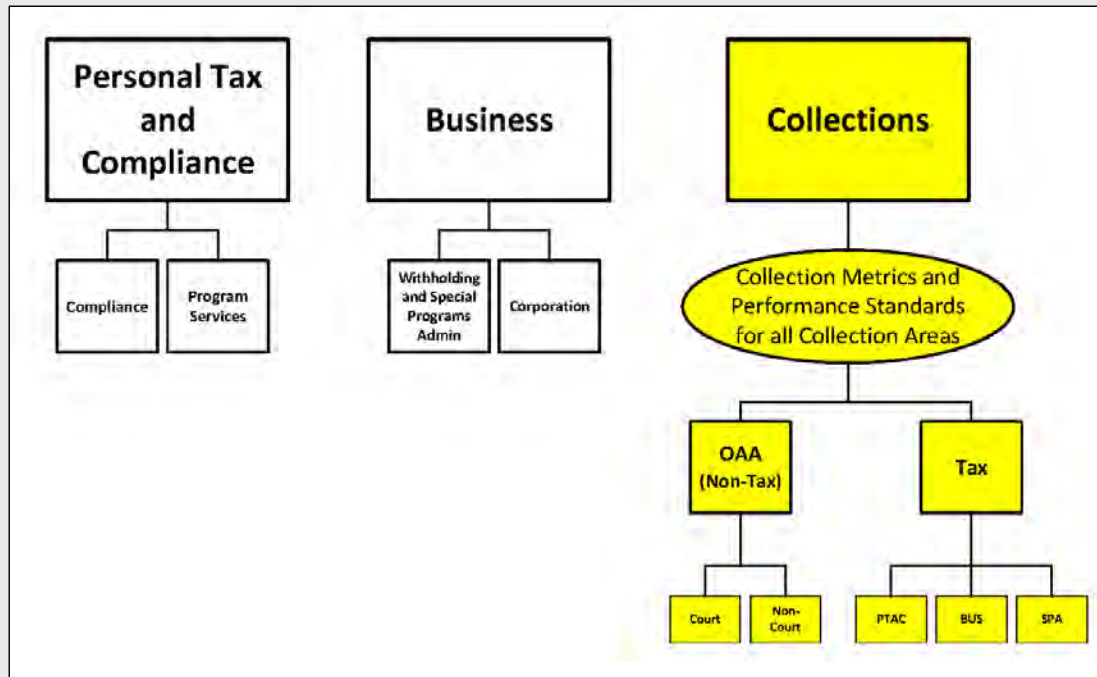


Next steps

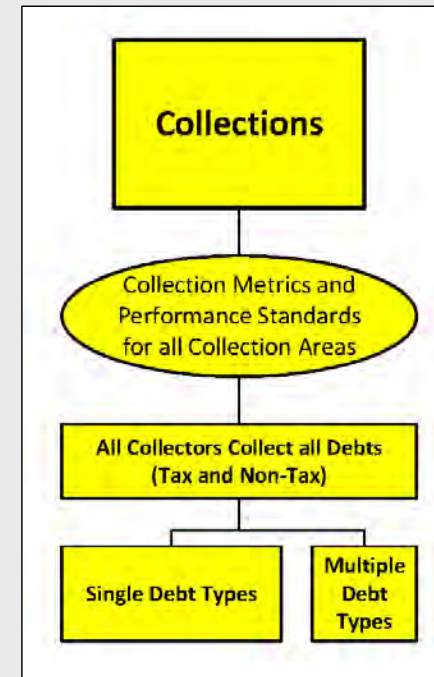
1. Establish agency-wide collections:
 - Vision and strategy.
 - Standards.
 - Metrics.
2. Plan for reorganization.
3. Develop 2021-23 policy package.

Final structure: Centralized

Option 3



Option 4



Questions?

If you have additional questions after today,
please contact:

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