

Analysis
Department of Revenue
Outcome-Based Management Assessment Report

Analyst: John Borden

Request: Acknowledge receipt of a report on an Outcome-Based Management Assessment

Analysis: The Department of Revenue (DOR) has submitted a budget note report of an Outcome-Based Management Assessment. The Legislature in 2017 provided the following instruction to the agency:

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 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 the December of 2019.

The Legislature in 2017, in support of the assessment, provided \$322,000 General Fund and \$28,000 Other Funds expenditure limitation, or \$350,000 total funds, to fund a vendor contract. The objective of this investment is to independently assess and validate the Department’s current key goals and objectives, core business processes and practices, and process measures and outcomes, and, if needed, fund the development of a performance management system. The Legislature in 2018 further augmented this funding by providing for one limited duration Operations and Policy analyst 4 to coordinate the agency’s efforts (\$188,063).

The first joint report to the Interim Joint Committee on Ways and Means in January of 2018 found that DOR is operating without any internal performance management system and that such a system needs to be developed. Such a system is one of the critical priorities established for the agency by the Legislature in 2017.

A contract was awarded (Deloitte) in August 2018 for \$250,000. The vendor assessed the agency’s current state and made recommendations for implementation of an outcome-based performance system. The assessment validated the Legislature’s initial understanding that DOR needed to institute a performance management system. The comprehensive nature of the assessment and implementation plan provides DOR with the foundation to begin to establish an outcome-based governance structure, develop a strategic planning process, identify performance metrics, identify related data and analytical tools, and align business processes and performance metrics. This initiative, to be effectively established, is expected to last well into the next biennium.

Legislative Fiscal Office Recommendation: Acknowledge receipt of the report.

Department of Revenue Heath

Request: Report on an outcome based management assessment of the Department of Revenue in compliance with a Budget Note in Senate Bill 5535 (2017).

Recommendation: Acknowledge receipt of the report.

Discussion: The Department of Revenue's (DOR) primary budget measure for 2017-19, Senate Bill 5535 (2017), contains the following 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 assessment of the agency by a private firm. The Department of Revenue, and the director of the Department of Administrative, are to jointly report on the status 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 the December of 2019.

The Legislature provided \$322,000 General Fund and \$28,000 Other Funds expenditure limitation to fund this assessment.

In 2018, the Legislature provided DOR with a limited duration Operations and Policy Analyst 4 (OPA 4) position to coordinate the Department's outcome-based management review. The position tracks and coordinates DOR's major policy initiatives (such as the implementation of legislation) and helps to ensure the recommendations made by external reviews, consultants and audits are implemented by the Department. The 2019-21 Governor's Budget maintains funding for the OPA 4 position. This partially funds the Department's request for additional resources in its 2019-21 Agency Request Budget for implementing an outcome based management system.

The assessment mentioned above was not available at the time the Governor's budget was developed. This information became available in December 2018, after the Governor's Budget was already released. In the absence of this information, the Governor's Budget treated the request as a placeholder, maintaining the OPA 4 position to continue the work that been accomplished to date.

In short, an outcome based management system is a method of management that defines an agency's priorities and focuses efforts on achieving those priorities. The assessment found existing pockets of work within the Department, which would align with an outcome based management system and that management was supportive of this work. Overall, there would need to be a substantial investment over time to implement such a system.

The consultants recommended, as part of the outcome based management system implementation, that DOR establish a framework for organizational metrics, develop a strategic plan, establish an outcome management team for governance of these processes, further engage in efforts to manage its data in order to lay the groundwork for the organizational metrics work,

and to better align business processes with Gentax and to provide additional training to staff on the software. The consultants estimate this work will last approximately 20 months and will require dedicating 18 full-time staff and numerous part-time staff. These positions do not necessarily represent new resources, as it will be up to the Department to determine what current staff could support these efforts and what new resources might be needed, as well as how the work fits into other Department priorities.



Oregon

Kate Brown, Governor

Department of Revenue
955 Center St NE
Salem, OR 97301-2555
www.oregon.gov/dor

February 15, 2019

The Honorable Representative Dan Rayfield, Co-Chair
The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairpersons:

Nature of the Request

The Department of Revenue (DOR) is submitting a report related to the Outcome-Based Management (OBM) Budget Note included in Senate Bill 5535 (2017).

“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 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 of 2019.”

The 2017 Legislature provided DOR with \$322,000 General Fund and \$28,000 Other Funds expenditure limitation to fund a contract for an outcome-based management assessment. SB 5535 indicated that the “objective of this investment is to independently assess and validate the department’s current key goals and objectives, core business processes and practices, and process measures and outcomes.”

Agency Action

Budget Note development

The agency followed a competitive recruitment process that was coordinated by the Department of Administrative Services’ Procurement Office to solicit a third-party vendor to conduct the assessment. The contract was awarded to Deloitte, the highest scoring vendor, in August 2018.

The contract asked that Deloitte review:

- Existing performance management processes and products related to strategic planning, key performance measures, operational metrics, strategic alignment, and key drivers in DOR's planning efforts.
- DOR's readiness to develop and create a more integrated OBM system, considering supporting processes such as data accessibility, reporting, and change management.

In addition, the agency asked Deloitte to prepare a work plan for implementing an integrated OBM system¹ within the agency. The work plan was to include an operating model and roadmap that identified key activities, timeframes, and resources. Deloitte's *Outcome-Based Management Assessment* is attached along with an executive summary from the *Outcome-Based Management Work Plan*².

To complete the assessment, Deloitte reviewed existing documentation, conducted interviews, and led work group exercises to gather information to assess performance management processes and products. Readiness was assessed through an evaluation of organizational process maturity. Processes were determined to fit into one of four categories: ad hoc practices (limited), formally defined (developing), managed (performing), or optimized (leading).

The contract for Deloitte's services was \$250,000. The agency also paid DAS Procurement Services \$ 9,750. The total cost of the OBM assessment and work plan is \$259,750, well below the legislatively-approved expenditure limitation.

Deloitte's findings and recommendations:

At a high level, the *Outcome-Based Management Assessment* findings state:

- "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."

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.

¹ System represents processes, tools, and products that support outcome-based management as an approach to agency performance management. "System" does not refer to a technology tool.

² The full OBM work plan is available upon request.

The conclusions in Deloitte's assessment focused on addressing the findings, and the work plan proposed several key initiatives to advance performance management process maturity. Key initiatives included:

- Finalize executive metrics (develop outcome-based metrics that align with DOR strategic priorities).
- Establish strategic planning processes to support an iterative strategic planning cycle.
- Establish governance for outcome-based management activities to ensure staffing support and appropriate prioritization of efforts.
- Develop enterprise data management.
- Analyze OBM technical requirements to determine if they might be appropriately supported by a software application.
- Conduct business process alignment activities and provide additional technology change management support to ensure that business processes impacted by DOR's Core System Replacement Project are stabilized and use of GenTax is optimized.

Because strategic planning is an iterative process, the work plan also discussed ongoing support needed to maintain an integrated OBM system.

Resourcing for Deloitte's proposed work plan was discussed at a high-level and generally focused on completion of the key initiatives. The proposal identified a governance structure to set direction and priorities, and an OBM team staffed with 5 FTE/6 positions to support implementation.

Next Steps

DOR generally concurs with Deloitte's assessment findings and agrees that the key initiatives identified in Deloitte's work plan would be worthwhile investments. In designing a pathway forward, the approach needs to consider strategies to advance organizational maturity, sequencing with other DOR activities and priorities, and available resourcing.

DOR would like to develop the following initiatives during the 2019–21 biennium:

1. Strategic and operational planning. This would involve a deeper dive into strategic planning followed by development of business operational plans that link program contributions to higher-level outcomes defined in the next iteration of DOR's agency-wide strategic plan.
2. Metrics alignment. While the agency has several KPMs and numerous operational metrics, they aren't leveraged to evaluate performance across the agency. This would also include creating effective reporting tools and processes to support data-driven performance management and decision-making.
3. Complete agency transformation. 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.

A more definitive conversation on next steps will be explored by the committee during the next phase of the legislative budget development process.

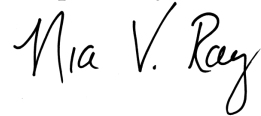
Action Requested

The agency requests that the committee acknowledge receipt of this report.

Legislation Affected

No legislation is affected.

Respectfully submitted,



Nia Ray, Director
Oregon Department of Revenue



Katy Coba
DAS Director | Chief Operating Officer

State of Oregon Department of Revenue

Outcome-Based Management Assessment



Current State Assessment
Submitted December 3, 2018

Deliverable 2: Current State Assessment

Document Control Information

Document Name	Current State Assessment
Project Name	Outcome-Based Management Assessment
Client	State of Oregon, Department of Revenue, DASPS-1704-18
Document Author	Deloitte Consulting, LLP
Document Version	Final
Document Status	Complete
Date Released	12/3/2018

Document Review / Approval History

Date	Name	Organization/Title	Comments
	Satish Upadhyay	DOR Deputy Director, Project Sponsor	
	Dawn Farr	DOR Outcome-Based Management Coordinator, DOR Project Manager	
	Cindy Burger, Jon Hart, Deanna Mack, Krista Olson, Keith Shribbs, Eric Smith, Mickaella Suarez	DOR Review Team	

Distribution of Final Document

The following people are designated recipients of the final version of this document:

Name	Organization/Title
Nia Ray	Director
Satish Upadhyay	Deputy Director, Project Sponsor
Dawn Farr	DOR Outcome-Based Management Coordinator, DOR Project Manager
DOR Revenue Leadership Team (RLT)	(agency executive leadership)
DOR Review Team	(see above)

Deliverable 2: Current State Assessment

Table of Contents

Table of Contents	iii
Table of Figures	iv
Table of Tables	iv
Section 1: Purpose, Background, and Approach	1
1.1 Purpose	1
1.2 Background.....	1
1.3 Approach	4
Section 2: Executive Summary	6
Section 3: Current State of Outcome-Based Management	13
3.1 Assessment of Strategic Planning Processes.....	14
3.2 Assessment of Agency Alignment with Strategic Priorities and Core Business Outcomes.....	16
3.3 Assessment of Current Metrics	26
3.3.1 Hotsheets	27
3.3.2 KPMs.....	38
3.3.3 Comparisons to Other State Revenue Agency Outcome Metrics.....	40
Section 4: Organizational and Divisional Readiness to Develop an Integrated OBM System	44
4.1 Maturity of Outcome-Based Management by Division / Section	44
4.2 Enterprise-wide Readiness to Implement OBM	59
Section 5: Summary of Observations and Opportunities	75
Section 6: Conclusion and Next Steps.....	80
Section 7: Appendices	82
7.1 Detailed Approach	82
7.2 List of Interview Questions used with RLT Members, Internal Audit, and Legislative Affairs	92
7.3 List of Work Group Participants.....	93
7.4 Objective Selection and Alignment by Work Group Participants	96
7.5 Detailed Peer State Comparison Tables	98
7.6 Rationale for KPM mapping to Strategic Priorities	110

Deliverable 2: Current State Assessment

Table of Figures

Figure 1 Approach to Current State Assessment	4
Figure 2 Current State Draft DOR Strategic Framework	15
Figure 3 How Visioning Lab and Work Groups Complements DOR's Draft Strategic Framework.....	18
Figure 4 Results from Visioning Lab	18
Figure 5 Count Alignment Visioning Lab Objectives to Business Outcomes	19
Figure 6 Alignment of Visioning Objectives to Strategic Priorities	20
Figure 7 Potential Objectives Selection List.....	21
Figure 8 Employees Work Session Objective Selection Results.....	22
Figure 9 Objectives Selected Most Frequently by DOR Work Groups.....	23
Figure 10 Alignment of Objectives Selected by Work Groups.....	24
Figure 11 Count of Hotsheet Metrics Tracked by Division	29
Figure 12 Count of Hotsheet Metrics Tracked by Division	30
Figure 13 Count of Hotsheet Metrics by Division and Metric Level	32
Figure 14 Count of Hotsheet Metrics by Target Type.....	33
Figure 15 Count of Hotsheet Metrics by Division With and Without Targets	34
Figure 16 Count of Hotsheet Metrics by Alignment to DOR's Draft Strategic Priorities	35
Figure 17 Count of Hotsheet Metrics by Alignment to the Core Business Outcomes.....	36
Figure 18 Count of Hotsheet Metrics by Division and Alignment to Core Business Outcomes	37
Figure 19 Count of Hotsheet Metrics by Alignment to the KPMs.....	38
Figure 20 KPM Aligned to DOR's Strategic Priorities	39
Figure 21 KPM Alignment to Core Business Outcomes	40
Figure 22 Current State Division/Section Assessment Scoring Spectrum	48
Figure 23 Current State Division/Section Gap Scoring Spectrum	48
Figure 24 Enterprise Maturity Readiness Scoring Spectrum	65
Figure 25 Enterprise Maturity Readiness Gap Score Spectrum.....	65
Figure 26 Approach to Developing Key Deliverables.....	82
Figure 27 Alignment of Objectives Selected by DOR Core Business Working Groups	96
Figure 28 Alignment of Objectives Selected by Cross Functional Working Groups	96
Figure 29 Alignment of Objectives Selected by Support Service Groups	97

Table of Tables

Table 1 Definition of Key Terms.....	2
Table 2 Summary of Division/Section Current State OBM Maturity	9
Table 3 Summary of Enterprise-wide Readiness Assessment	10
Table 4 3.1 Summary	14
Table 5 3.2 Summary	17
Table 6 Assessment of Current Metrics Observations and Opportunities Summary	26
Table 7 Overview of Hotsheet Metrics	28
Table 8 Outcomes Measured on DOR Hotsheets	31
Table 9 Summary of Peer State Comparisons.....	42

Deliverable 2: Current State Assessment

Table 10 4.1 Summary	45
Table 11 Evaluation Criteria for People, Process, and Technology Ratings.....	46
Table 12 Summary of Division/Section Current OBM Maturity	47
Table 13 Current Outcome-Based Management Maturity by Division	50
Table 14 4.2 Summary	59
Table 15 Summary view of Maturity Organizational Enterprise- wide Assessment.....	64
Table 16 Organization Enterprise-wide OBM Maturity Ratings	67
Table 17 Summary of Observations, Gaps, and Opportunities	75
Table 18 Summary of Enterprise Observations and Strategic Opportunities.....	81
Table 19 Overview of Inputs	83
Table 20 Interview Questions	92
Table 21 Work Group Participants.....	93
Table 22 Peer State Comparison, Overview Information, Part 1.....	98
Table 23 Peer State Comparison, Overview Information, Part 2.....	99
Table 24 Peer State Comparison, Overview Information, Part 3.....	100
Table 25 Peer State Comparison Against Illustrative Performance Indicators and Deloitte Knowledgebase	101

Deliverable 2: Current State Assessment

Section 1: Purpose, Background, and Approach

1.1 Purpose

The purpose of this project is to help the State of Oregon's Department of Revenue (DOR) develop the processes, capabilities and tools necessary to create and sustain a more rigorous Outcome-Based Management (OBM) system throughout the agency. There are two parts to an OBM system. The first part refers to establishing strategic priorities that cascade down and across the agency and that reflect the purpose and intended results of agency activities, management decisions and operational plans. The second part refers to creating and operationalizing the system that delivers that strategy. More specifically, this system refers to the necessary governance (policies and practices), organizational structure and visualization tools needed to execute management and monitoring of the established priorities.

As described in the contract agreement for this project, the Current State Assessment deliverable includes a review of the agency's current understanding, use, culture and capabilities regarding OBM. The Current State Assessment deliverable lays the foundation and context for the OBM system. A subsequent deliverable, the OBM System Work Plan, will provide senior DOR leadership with an actionable roadmap and guideposts necessary to support execution and oversight of the OBM system's development and implementation.

The Current State Assessment serves an important function within the larger context of the project. The purpose of this assessment is to:

- Understand DOR's current practices relative to OBM
- Evaluate DOR's readiness to develop an integrated OBM system
- Identify gaps that should be closed to achieve a successful establishment of an OBM system
- Provide recommended initial actions to begin closing the identified gaps

These four components of the Current State Assessment inform the design of an achievable future state, and how that future state can be reached.

1.2 Background

Introduction to the Project and Current State Assessment

Oregon's Department of Revenue serves a critical mission in the state. According to the "About Us" section of DOR's website, DOR "make[s] revenue systems work to fund the public services that preserve and enhance the quality of life for all citizens." In this context, it is beneficial for DOR to be able to identify, manage, monitor and communicate their Strategic Priorities, Core Business Outcomes, and Objectives both internally and to external stakeholders. It is important that there is a common understanding of DOR's established priorities and desired outcomes as these strategic considerations typically operate as drivers of an organization's behavior, influence the allocation of internal resources, and inform its operational management decisions. The priorities and outcomes must also be measured and progress monitored if an agency is to be successful. The effort and process to establish priorities, identify metrics and monitor progress is at the heart of an OBM system.

The State of Oregon and the Department of Revenue recognizes the significance of OBM as reflected in the 2017 Legislative Budget Note. The Budget Note required DOR to acquire external services to undertake an OBM Assessment to evaluate DOR's current capacity and readiness to implement OBM. In February 2018, the Legislature provided the agency with a new position to support OBM activities, this

Deliverable 2: Current State Assessment

position was filled in April 2018. These steps mark the beginning of a foundation on which DOR can build toward an effective OBM system.

The scope of the contract is delivered in two segments. The first segment is the Current State Assessment and the second segment is the OBM System Work Plan (which will be delivered in December of 2018). This Current State Assessment report is designed to broadly assess the agency's current understanding, use, culture, and capabilities regarding OBM. Based on the review of the areas listed above, this assessment identifies findings/observations, gaps, and opportunities resulting from the analysis of the gathered data and information. The Current State Assessment, based on the information available, provides DOR leadership with options to execute a plan to effectively and expediently become an outcome-based managed organization. The OBM System Work Plan deliverable will be developed using the observations of this assessment and leading practices. While the Current State Assessment lays the foundation and context for the OBM system, the OBM System Work Plan provides senior DOR leadership with an actual roadmap and guideposts necessary to support execution and oversight of the OBM system's implementation.

Defining key terms

DOR leaders and participating employees hold differing views and definitions of OBM. Therefore, a common definition is necessary to effectively frame the findings/observations, opportunities and suggestions. This assessment relies heavily on a set of key terms related to OBM and applies a specific meaning for key terms as set out below.

The following glossary defines the key terms used in this deliverable.¹

Table 1 Definition of Key Terms

Key Term	Definition	Examples (if applicable)
<i>Outcome-Based Management (OBM)</i>	Refers to establishing strategic priorities that cascade down and across the agency and that reflect the purpose and intended results from agency activities, management decisions and operational plans	N/A
<i>Strategic Priority</i>	A highest-level, overall goal an organization seeks to accomplish. The Objectives, Drivers, Levers, and Metrics (defined below) should all be aligned to the Strategic Priorities	-Optimize how taxpayers meet their obligations to the State
<i>Objective</i>	Refers to a concrete result or identifiable end state that an organization aspires to achieve through the direction of its efforts and resources	-Improve Voluntary Compliance Rate
<i>Driver</i>	Refers to the factors that can directly influence the success or failure of an objective	-Ease of compliance with tax filing requirements

¹ Whereas DOR's Internal Audit on performance management offered definitions for a similar set of terms, this assessment will use the definitions provided in Table 1, which may differ from the definitions provided by Internal Audit.

Deliverable 2: Current State Assessment

Key Term	Definition	Examples (if applicable)
Lever	Refers to what can be controlled (i.e. increased or decreased, started or stopped) to influence the drivers. Levers may also be described as the key activities that, when performed, have some measurable impact on the Drivers	-Streamline and simplify filing forms -Provide helpful training videos for taxpayers
Key Performance Measures (KPMs)	Refers to the measures that are set in Oregon statute. In this document, KPMs refer to the 11 Key Performance Measures defined by the Oregon State Legislature	-e.g., Average Days to Process Personal Income Tax Return
Hotsheet	Refers specifically to the reports that DOR uses within its units to track and circulate information relating to metrics	-"2018 PIT Return Review"
Metric	Generally, refers to a performance indicator that measures some part of the organizations activities related to the objectives. In this assessment, the term "Metric" specifically references the performance indicators found in DOR's Hotsheets	-Number of calls received
Target	The baseline performance expectation for a given metric against which the metric is evaluated. Targets allow organizations to judge whether the stated objectives are met	-90% of calls answered within 10 minutes
Action Plan	The agreed upon course of action that an organization will take when a metric does not meet its corresponding target	-The unit will conduct additional staff training if 90% of calls are not answered within 10 minutes, as measured on a monthly basis
Metrics Framework	A logical framework that guides the evaluation, selection and prioritization of outcome-based metrics for inclusion into the OBM system.	N/A
OBM Governance	Defines the operating structure, roles, responsibilities and decision rights of the leadership team that presides over the management of the OBM system.	N/A

This space intentionally blank.

Deliverable 2: Current State Assessment

1.3 Approach

The approach and methodology used in this assessment involves three distinct steps, detailed in Figure 1 below:²

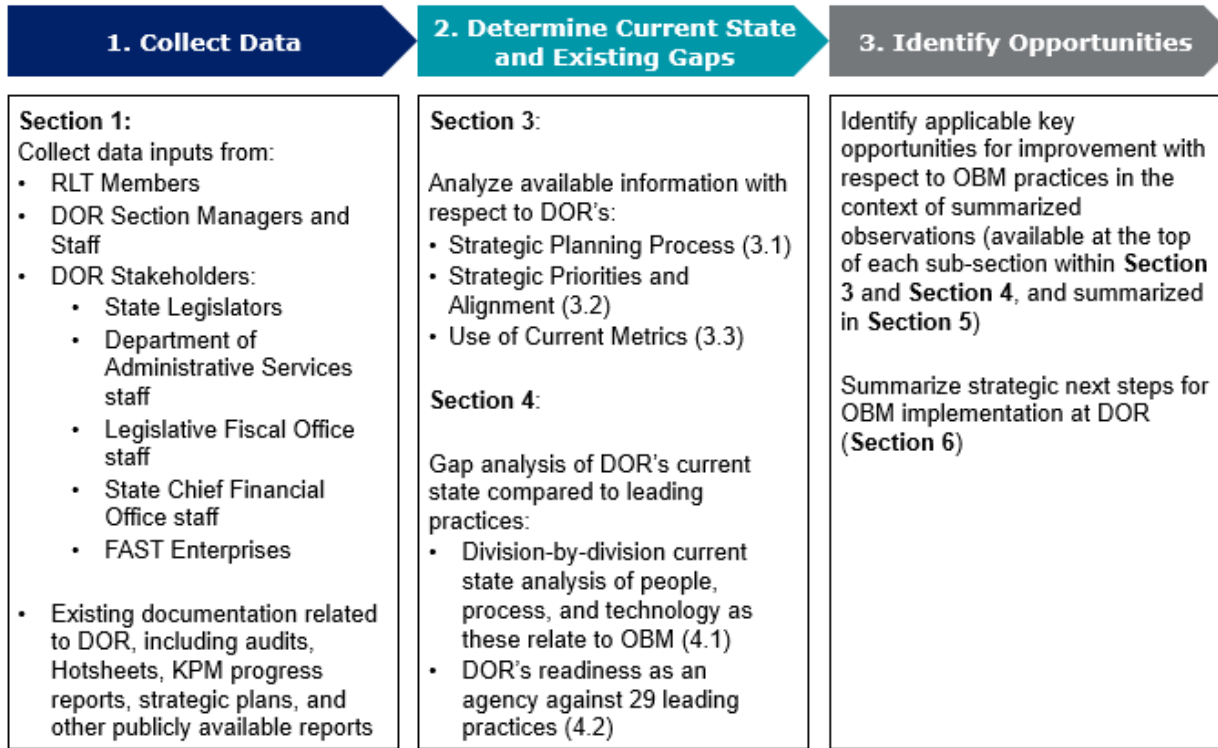


Figure 1 Approach to Current State Assessment

Each of the three steps in the Current State Assessment is described in detail in the Appendix Section 7.1. To provide context, the approach steps are summarized as below:

Step 1 – Data Collection. Uses a variety of data gathering techniques including interactive sessions with DOR leadership (through Visioning Lab), participating employee Work Groups (through Work Sessions), touch point discussions with external stakeholders from both Legislative and Executive branches, a review of documentation provided by DOR and external research activities.

Step 2 – Current State and Gap Analysis. Utilizes methodologies that leverage qualitative reviews of the data provided in a structured tool that allows a valid baseline comparison among divisions within DOR. It also provides an understanding of DOR's readiness as an organization to develop and implement OBM.

Step 3 – Identification of Opportunities. Identifies options for resolving gaps identified in Phase 2. It considers that gaps and opportunities do not always have a one-to-one relationship. Some gaps may be closed through multiple opportunities or a single opportunity may close multiple gaps.

In addition to the Approach and Methodology, this assessment also considers the larger contextual dynamics at play in the environment within and around DOR. These contextual considerations can

² Note that the Approach is described in general alignment with the sections of this report. Section 2, the Executive Summary, is not listed in Figure 1.

Deliverable 2: Current State Assessment

directly and indirectly impact DOR's ability to implement an OBM system. These important dynamics include the following aspects:

1. The state of the recent Core System Replacement(GenTax) project and its impact on the work
2. The level of the agency's change fatigue, in light of the Core System Replacement, leadership changes etc.,
3. Several key audits (both internal and external)
4. Additional 2017 Legislative Budget Notes (beyond the OBM related Budget Note)
5. DOR's current Key Performance Measures (KPMs), and
6. DOR's existing strategic planning activity

The aggregate impact of these contextual factors is significant. These factors have impacted agency operational and strategic activities and will inform future resource needs in execution of the OBM System Work Plan. Each of the above contextual items is described and framed in Appendix Section 7.1(b).

This space intentionally blank

Deliverable 2: Current State Assessment

Section 2: Executive Summary

The Current State Assessment is the first report delivered to the Oregon Department of Revenue (DOR) under a contract resulting from a 2017 Legislative Budget Note (Budget Note). The Budget Note directed DOR to “contract for an Outcome-Based Management (OBM) assessment of the agency by a private firm.” Prior to the Budget Note, and in the midst of the Core System Replacement (CSR) rollout, DOR recognized through its own 2016 internal audit on performance management that it needed to “adopt a performance management system and governing framework that is ‘right sized’ for Revenue”, “develop a reporting tool”, “create appropriate benchmarks”, and “evaluate... whether performance metrics align with strategic plans and desired outcomes.” In April of 2018 the DOR leadership leveraged broader legislative assistance by filling the position provided by the Legislature to support OBM and subsequently issued the competitive procurement for OBM Assessment Services in May of 2018. The procurement award requires two content deliverables: a Current State Assessment and an OBM System Work Plan. This document addresses the Current State Assessment deliverable.

The Current State Assessment was conducted to:

- Understand DOR’s current practices relative to OBM
- Evaluate DOR’s readiness to develop an integrated OBM system
- Document observations of gaps that should be closed to achieve a successful establishment of an OBM system
- Provide options to begin closing the identified gaps

The Current State Assessment was conducted over eight weeks and employed two-pronged approach to assessing the environment:

Prong A) interactive engagement (involving approximately 100 internal and external participants and nearly 300 person-hours across interviews, meetings and Work Sessions);

Prong B) data review (covering audit documentation, DOR strategic planning material, DOR background documents, DOR metrics and measures and external metric material from peer states, an international entity and a proprietary repository of national experience.

Activities under the two-pronged approach were conducted at a level sufficient to understand the current state of DOR’s awareness of, effort toward and preparedness for OBM³ development and implementation.

The result of this approach is a Current State Assessment document which reflects the current level OBM practices within DOR and the analysis of DOR’s readiness (at both the division and enterprise levels) to develop an integrated OBM system. Documenting the current state establishes a starting point for the journey to an integrated OBM system, while developing maturity and readiness targets places bounds on the destination.

Reviewing the current state of OBM practices within DOR includes two areas of understanding. The first area is an assessment of strategic planning processes (**Section 3.1** of this report) and identification of potential objectives aligned to DOR’s current draft Strategic Priorities and Core Business Outcomes (**Section 3.2**). The second area is an assessment of the alignment between the currently tracked metrics

³ While the Agency has taken some steps, in some divisions and sections of the department there was a clear need to establish common understanding, adequate infrastructure and standardized approaches such that a deeper dive into exhaustive detail of activities would not likely yield substantially different near-term observations on their needs.

Deliverable 2: Current State Assessment

and KPMs to the Strategic Priorities, and how these metrics compare to those tracked by peer states (**Section 3.3**).

The readiness assessment includes qualitative assessment of the maturity of the current people, process, and technology capabilities within each division (**Section 4.1**), as well as the overall organizational readiness to develop an integrated OBM system assessed against leading practices (**Section 4.2**). The divisional and organizational readiness assessments assign a quantitative value (i.e., a rating) to the qualitative assessment for easier understanding of the difference between where DOR is currently and recommended future state targets. Both assessments also identify gaps in maturity to support future OBM activities.

Overall, DOR's OBM current state can be described as forming. The agency is data rich, but information challenged. Converting the data effectively and using it to drive decision making to achieve Core Business Outcomes are key. DOR has taken steps to prioritize, gather and understand its data and convert it to information – this can be seen in the use of its Hotsheets and KPMs. But these actions fall short as the alignment of that data to Core Business Outcomes is unbalanced. The current challenge lies in the lack of comprehensiveness, consistency and maturity of those actions. Establishing well-defined processes, practices, roles and responsibilities as well as refined metrics and monitoring approaches that are transparent throughout DOR will go a long way in establishing a culture of OBM.

The results of the assessment provided the following insight into DOR's current state.

Current State of OBM Practices

While DOR has completed some initial efforts to assess what is strategically important to the agency, the strategic planning processes are currently not well defined. Strategic planning activities do not follow a documented, repeatable process, and the core activities (refining and monitoring) are not conducted at regular intervals. As a result, strategic planning becomes a focus in response to existing challenges and thus strategic priorities are oriented toward known issues rather than focused on proactively defining the desired future of the agency. Additionally, a common understanding of the Strategic Priorities or Core Business Outcomes is not widely held across the organization.

When testing the alignment of the Hotsheet metrics to Core Business Outcomes, it became clear that different business units within the agency gravitated to different outcomes. This produces a circumstance where some business outcomes are heavily focused on (as evidenced by the existence of metrics that are aligned to them), while other business outcomes are unaddressed, i.e., where no metrics are aligned to them. For example, during the Work Sessions, the Work Group consisting of core business divisions focused on the Objectives that aligned to the business outcomes of Enforcement and Voluntary Compliance, while cross functional divisions/sections focused mainly on objectives related to Voluntary Compliance business outcome however no division or function prioritized addressing Equity and Uniformity. This imbalanced or inconsistent focus does not appear to be the result of collective or deliberate decision making, DOR should develop processes that provide a consistent approach to identifying and prioritizing the business outcomes across the enterprise as appropriate to the respective business unit.

DOR uses two primary tools for tracking performance: KPMs and Hotsheets. The former is published to external stakeholders in an Annual Performance Progress report, while the latter are circulated within the agency and utilized internally during RLT leadership and Division management meetings. While each provides value, that value is not optimized for impact in the decision making across the levels of the agency. Each of these tools is discussed in turn below.

Effective KPMs typically align to and support strategic direction of an agency. In DOR's case, KPMs should align to the Core Business Outcomes. However, the analysis found that the 11 KPMs are, in some cases, only partially aligned across the Core Business Outcomes. For example, the core business outcome of Voluntary Compliance has only partial alignment with two KPMs (KPM #2 and #5). Alternatively, Enforcement has multiple, fully aligned KPMs associated to it. DOR acknowledges that the KPMs should be redefined and more clearly aligned as they continue to refine their Strategic Priorities. Furthermore, the target measures for some KPMs are set at levels that exceed industry standards, which

Deliverable 2: Current State Assessment

sets the agency up for a high likelihood of failure. This is not to say that DOR cannot or should not set a higher bar for success than the industry; rather, these instances should be understood as stretch targets. Measures that appear seemingly unachievable can have a negative impact on morale and productivity. To mitigate this, DOR might consider applying both expected performance and stretch performance targets.

Analysis of DOR's Hotsheet metrics against seven characteristics, i.e., number and type of metrics, correlation, stratification and alignment, targets and action plans, revealed the following: seven divisions/sections are tracking over 160 metrics across 16 Hotsheets. While many of the reported metrics serve to inform important operations management functions, few are measures of outcomes. Those that *are* higher-level outcome measures are not stratified into reports appropriately to guide a strategic conversation across the executive team. The metrics captured today do not necessarily tell a division level business story; nor is a cross-agency picture painted by which progress can be assessed. Many of the 160 metrics are not aligned to any of DOR's Core Business Outcomes or Strategic Priorities, and – as with the KPMs – some Core Business Outcomes have few metrics aligned to them. Additionally, only 20% of the metrics had an associated target, no metrics were found to have associated action plans for course correction, and just one metric had a narrative explanation of recent performance. These characteristics, are considered leading practices for effective OBM management and monitoring. These findings indicate a need to review and rationalize Hotsheet metrics by evaluating those metrics for alignment to Strategic Priorities, stratifying metrics for reporting to executive audiences and increasing the decisional value of the metrics by establishing targets, providing narratives, and documenting action plans. DOR should also consider establishing a structured monitoring and reporting process for Hotsheets.

Readiness Assessment

Results from the readiness assessment of divisions/sections reflect the inconsistency associated with the strategic planning and metrics management. The divisions and select key sections were evaluated across dimensions of “people”, “process”, and “technology” (discussed in depth in **Section 4.1**). On a four-point maturity scale for each of these dimensions, this analysis suggested that divisions/sections ranged from “Limited” (1) to “Performing” (3), while no area was found to be “Leading” (4). Divisions with a “Performing” rating executed certain elements of OBM consistently, though with room to implement additional leading practices. Divisions/sections that rated relatively higher in the “People” dimension demonstrated leadership, managerial understanding and commitment to OBM, with some amount of defined roles, responsibilities, and accountability structures for OBM activities. Divisions/sections that rated relatively higher in the “Process” area demonstrated the capability to develop, select and prioritize outcome metrics and associated targets with periodic reviews for improvement. Finally, divisions/sections that rated relatively higher in the “Technology” dimension used tools to gather, analyze, and present OBM data with a low need for manual intervention. In short, the varied nature of each division/section's capability and capacity is not unexpected or uncommon where there is a lack of enterprise level governance.

The overarching conclusion here is that while no division/section is operating at the necessary level of performance currently, the high relative maturities within the Business Division, Communications Section, and Personal Tax and Compliance Division indicate their capabilities may be leveraged to help other divisions improve. The divisions/sections with the highest overall gap and highest target maturity scores would benefit from this expertise the most initially, which include the Processing Center Section, Property Tax Division, and Financial Services Division. A summary view of this assessment is shown below.

This space intentionally blank

Deliverable 2: Current State Assessment

Table 2 Summary of Division/Section Current State OBM Maturity

Division	Section	Current Maturity			Target Maturity	Gap ⁴
		People	Process	Technology	All Areas	
Business Division	-	3	3	3	4	1.00
Executive Division	Human Resources (HR) Section	2	3	2	4	1.67
	Communications Section	2	2	3	3	0.67
	Research Section	2	1	1	3	1.67
IT Division	IT Services (ITS) Division	2	2	2	3	1.00
	Processing Center (PC) Section	2	2	2	4	2.00
Personal Tax and Compliance (PTAC) Division	-	2	2	3	4	1.67
Property Tax Division	-	2	2	2	4	2.00
Financial Services Division	-	1	1	1	3	2.00

Similarly, the detailed assessment of organizational readiness (**Section 4.2**) compares DOR's current performance as an entire agency against 29 leading practices. The result is an enterprise-wide gap analysis. Although DOR has gaps in each of these 29 areas, not all gaps areas should be immediately remedied. This analysis suggests that the agency should focus on improving the strategic planning process, establishing a governance structure to guide ongoing operations of OBM, developing and using a framework to select and prioritize metrics, and creating a master data management strategy, discussed further below.

⁴ The gap score for each division/section is the difference between the Target Maturity rating across all areas minus the average score of people, process, and technology. Note, as such, that the color scheme for the Gap column is inverted: a smaller number represents a smaller gap to be closed, and thus a better current condition for DOR.

Deliverable 2: Current State Assessment

Table 3 Summary of Enterprise-wide Readiness Assessment

Components	Capability	Average Current State Score	Average Target	Average Gap ⁵
Component 1. Defined Outcome-based strategic priorities that cascade down to goals and objectives within and across the agency	1.1 Strategic Planning & Prioritization (4 elements)	1.75	3.75	2.00
	1.2 Outcome-Based Management System Evaluation (3 elements)	1.00	3.33	2.33
Component 2. Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes	2.1 Metrics Selection and Alignment (4 elements)	1.75	4.00	2.25
	2.2 Outcome-Based Management Processes and Tools (3 elements)	1.00	3.33	2.33
	2.3 Analysis and Reporting (5 elements)	1.60	3.60	2.00
Component 3. Practices related to governance, roles/responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the management system	3.1 Governance (4 elements)	1.75	4.00	2.25
	3.2 Communication and Training (3 elements)	1.33	3.66	2.33
	3.3 Monitoring and Improvement (3 elements)	1.00	3.00	2.00

Conclusion

Collectively, the observations and key opportunities derived from the two areas of the Current State Assessment of OBM at DOR lead to cross-cutting enterprise-level opportunities. While those opportunities include both leveraging existing technology tools and potentially considering new ones, there are significant non-tool initiatives that, if implemented, can move the agency forward on the OBM maturity path. These efforts require a consensus driven approach, possible organizational restructuring and a commitment to communications and continued organizational change management across the agency. These initiatives include:

1. **Strategic Planning:** Current strategic planning efforts are ad hoc and reactive. DOR should develop a consistent, well-defined strategic planning process and establish an updated set of

⁵ Note that the color scheme for the Gap column is inverted: a smaller number represents a smaller gap to be closed, and thus a better current condition for DOR. Also note that the “best” possible score for the average gap is a 0 – which would coincide with a fully green color shading – and the “worst” possible score is a 3 – which would coincide with a fully red color shading.

Deliverable 2: Current State Assessment

Strategic Priorities (and possibly refined Core Business Outcomes) to be communicated internally. Next steps include an opportunity for DOR to document and execute a comprehensive forward-looking strategic planning process to finalize the agency strategy and align on Strategic Priorities.

2. **OBM Governance:** DOR should establish OBM governance processes that can guide the management of an OBM system. Governance will need to address three components:
 - a. Organizational Ownership: No governance body at DOR today has defined authority over and accountability for operationalizing OBM. To advance OBM, clear executive sponsorship and governance authority are needed in combination with documented expectations. This structure will also need to define how OBM governance is integrated into broader agency-wide governance.
 - b. Resourcing, Roles and Responsibilities: DOR divisions/sections have not designated resources to support OBM in the absence of a defined governance structure and expectations. Resources supporting OBM processes and reporting within each division/section that is accountable for outcomes are needed. Once established, the OBM governance body has an opportunity to determine the roles and responsibilities outside the governance body that are required for the success of OBM and assist in prioritizing resources who will be accountable for this work. This may include reallocating existing resources or identifying additional or “net new” resources
 - c. Processes and Monitoring / Accountability: There is no formal process at DOR to systematically monitor and report on metric performance, determine course correction plans when needed, and ensure accountability for improvements in results. Standardized processes for reporting, development of course correction plans, monitoring and communicating progress, and holding responsible parties accountable are necessary for the efficient operation of an OBM system. DOR's OBM governance body should define processes incorporating leading practices that will support ongoing monitoring, accountability and improvement.
3. **Metrics Framework:** Currently, each division/section selects metrics for inclusion on Hotsheets organically without a common method to identify, select, evaluate and/or weight/prioritize metrics. Metrics reported to the OBM governance body need to provide a clear agency-wide picture of progress against agreed strategic priorities. There is an opportunity to make near term improvements in how metrics are selected based on alignment to Strategic Priorities and Core Business Outcomes, and to stratify metrics that are escalated to the RLT using a metrics framework. A next step is to develop a metrics framework to evaluate, prioritize, and operationalize metrics, which will be part of the upcoming OBM System Work Plan deliverable within the OBM Operating Model.
4. **Reports Rationalization and Validation:** There are currently more than 500 reports in the GenTax system. Many reports lack adequate metadata and descriptions to enable broader use. DOR has an opportunity to validate and rationalize the reports in GenTax to increase availability, usefulness and accessibility of existing performance information. Going forward there is a need to create or leverage capabilities of tools (which may or may not be in DOR inventory) that can stratify data access and visualization by key levels (executive, management and operations). These tools should support interaction (multiple views) and dimensional analysis by business users.
5. **Master Data Management Strategy:** Existing data standards, catalogs, and dictionaries do not provide a basis for full confidence by all users of reports and queries developed to capture metrics data. In order for DOR to take action based on the OBM produced insights, there must be trust that the data extracted from the systems of record and used to calculate metrics is accurate. DOR has an opportunity to develop and execute a master data management strategy to increase confidence and reliability of the report outputs that will help better enable decision making.

Deliverable 2: Current State Assessment

DOR is intent on implementing an effective and integrated OBM system. DOR teams have identified and designed metrics, reported on those metrics and, in some instances, used those metrics in varying degrees to inform decisions and actions. Unfortunately, these efforts have been largely individually executed by business units and more through a functional (tax type) lens rather than an agency-level outcome-based lens. The next level of maturity, and thus DOR opportunity, is to structure, organize and align these efforts against a common set of outcomes and to identify a common set of practices that will be used to establish, monitor and report on progress. That ability to establish the common practices and to reach agreed upon approaches, standards and requirements is simultaneously hard work – as philosophies and opinions will need to be facilitated and bridged – and yet very achievable given adequate priority, resources and time.

This space intentionally blank

Deliverable 2: Current State Assessment

Section 3: Current State of Outcome-Based Management

Sections 3.1 through 3.3 detail the analysis and conclusions relating to DOR's Strategic Planning process, Strategic Outcomes and currently tracked metrics.

More specifically, this section documents the current state of OBM at DOR based on data gathered and analyzed from agency documents, executive and stakeholder interviews, and project activities including the leadership Visioning Lab and an employee based Work Sessions populated by participating employee Work Groups. An understanding of OBM as currently practiced within DOR today is a critical input into the planning process for an integrated OBM system. This view of the current state of OBM is predicated on the data and information made available through the data gathering process. It provides all stakeholders a common baseline from which further work to mature OBM can begin. It also identifies areas where significant differing views about the current state arose so that they may be addressed to best enable the agency to move forward with development of an integrated OBM system.

The current state of OBM at DOR includes an assessment of three increasingly granular layers of strategy, objectives, and metrics as well as a look at the infrastructure for managing OBM.

- At the strategy level (**Section 3.1**), this assessment focused on DOR's strategic planning processes. These processes led to DOR's current draft strategic framework. The outputs of that framework (the initial documentation which reflects the Strategic Priorities and Core Business Outcomes) were reviewed to determine the degree to which desired agency results and outcomes were aligned to the Strategic Priorities.
- Next, an analysis of current and potential agency objectives occurred (**Section 3.2**). DOR did not have fully established objectives so initial objectives were identified for prioritization by leadership during a facilitated Visioning Lab. These initial objectives were used by the Work Groups during the Work Sessions as basis for selecting areas of priority. This two-step process provided insight into the alignment between the priorities of DOR leadership, the Work Group participants, and DOR's draft Strategic Priorities.
- The third level of analysis addressed the type and alignment of DOR's current Hotsheet metrics to both the strategic framework (including the Strategic Priorities and Business Outcomes) and KPMs (**Section 3.3**). As noted previously, Hotsheets contain the current metrics that DOR uses to assess select activity occurring across the agency. Finally, a comparison of DOR's KPMs to performance metrics used by other state revenue departments as well as industry metrics was conducted to identify additional categories and metrics for consideration for inclusion in a comprehensive OBM system.

Overall, assessment of the current state of OBM at DOR revealed an opportunity for leadership to refocus on the agency strategy through a well-documented, comprehensive, and repeatable planning process. This process can focus on identifying specific strategic outcomes that represent achievement of priority agency results. There is also an opportunity to revisit, align and finalize agency objectives to ensure they reflect the Business Outcomes and support the agency's Strategic Priorities.

As it relates to metric identification, there is a substantial opportunity to improve the reporting and interpreting of performance metrics. While there are a significant quantity of metrics, these metrics are of differing value, particularly as it relates to usefulness to leadership's decision making. This efficacy imbalance in metrics is not uncommon in the early stages of organizations that are embarking on metric development. At the start, entities tend to select metrics based on what they can measure. This is a valuable experience as it helps the organization understand what data is being captured and what additional data may be helpful. Therefore, the next level of maturity looks to not only what can be measured but what should be measured. DOR can achieve this by identifying clear outcome measures

Deliverable 2: Current State Assessment

and stratifying current Hotsheet metrics toward the executive audience more appropriately. Additionally, DOR has an opportunity to work with the Legislature to align, revise and define KPMs and the associated targets based on industry standards.

3.1 Assessment of Strategic Planning Processes

The goal of OBM is to enable an agency to clearly evaluate progress toward achieving its strategic priorities. The foundation of an integrated OBM system is defined in strategic priorities that cascade down and across the agency and reflect the purpose and intended results from agency activities, management decisions and operational plans. As such, it is important that agencies have an established practice and process for not only establishing the strategy but also revisiting the strategy on a cyclical basis. This analysis revealed that, when compared to this standard, there are gaps in DOR's current strategic planning process. These gaps create opportunities for growth and development.

The table below summarizes the most important of the observations and opportunities for the Strategic Planning process.

Table 4 3.1 Summary

Summary of Observations	Key Opportunities
<ul style="list-style-type: none"> • Strategic planning process does not follow an existing, repeatable process and is reactive rather than proactive • Planning is top down, while information is provided bottom up, leading to misalignment • Further work is needed to link the Strategic Priorities to measurable outcomes and metrics 	<p>Finalize agency strategy</p> <ul style="list-style-type: none"> • Define Comprehensive Strategic Planning Process and Cycle • Conduct a full Strategic Planning Cycle (including goal setting) <p>Implement agency strategy and integrated OBM through selected governance structure</p> <ul style="list-style-type: none"> • Execute defined governance processes to evaluate metrics, create and monitor action plans, maintain accountability, and foster continuous improvement • Identify measurable outcomes and metrics to track progress • Align resources to support achievement of outcomes • Collect data to support metric reporting

DOR's most recently completed strategic plan (August 2015), provides a strategic structure with multiple layers. The 2015 plan considers DOR's mission, vision, and values as well as five Core Business Outcomes, which include the following:

- Voluntary compliance
- Enforcement
- Employee Engagement
- Customer Experience
- Equity and Uniformity

Deliverable 2: Current State Assessment

The plan outlined division-level strategies and section-level initiatives to advance each outcome area. Setting aside the question of whether an updated strategic plan is required, the challenge is that there has not been (nor is there currently) a structure for tracking the progress on executing strategies and initiatives.

There is renewed focus on strategic planning related activity at DOR. During the late summer of 2018, the RLT identified three initial Strategic Priorities: to optimize collections⁶ efforts, cultivate operational excellence, and enhance taxpayer assistance. The RLT affirmed these priorities, and reached agreement that the Strategic Priorities fit within the agency's mission, vision, and values and the five core business outcomes. DOR intends that core business outcome areas are inclusive of all the work the agency does to accomplish their mission, while the strategic priorities represent where the agency is investing effort to increase performance and advance the agency mission and vision. The RLT continued their ongoing preliminary work, which is not reflected in the figure below, to refine the scope and identify high-level themes reflective of desired results for each strategic priority. These themes were condensed into 3-4 goals per strategic priority. Finally, the RLT drafted 3-4 desired outcomes that would result from achievement of each goal.

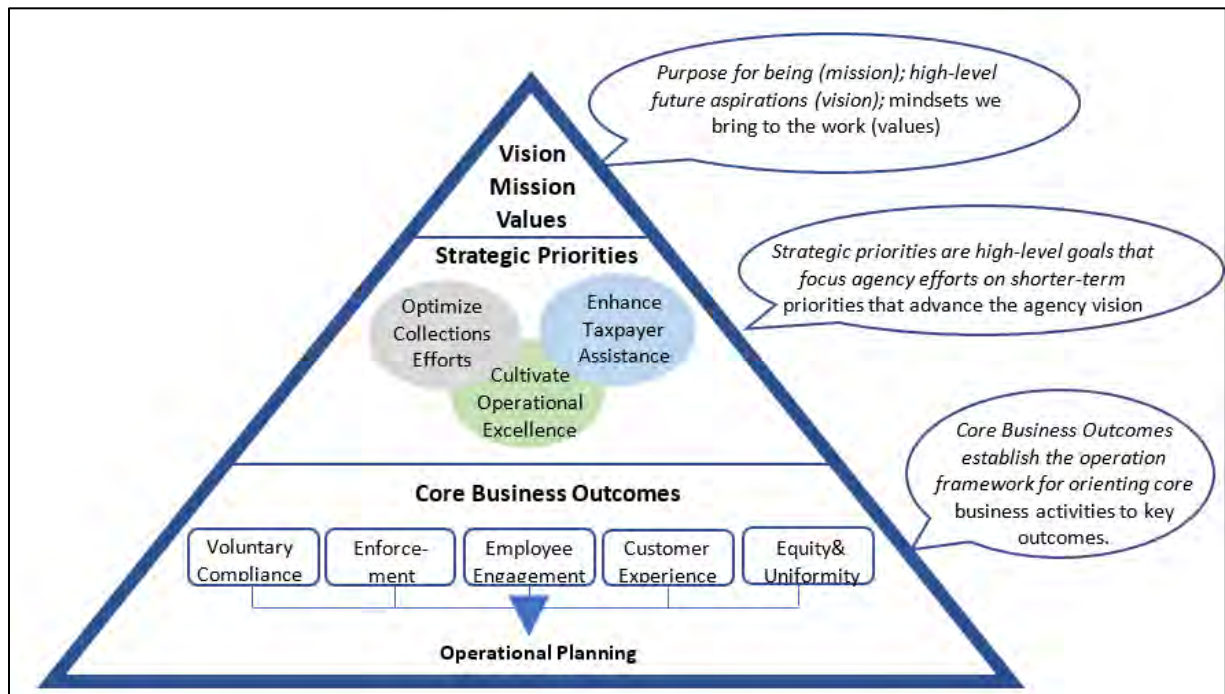


Figure 2 Current State Draft DOR Strategic Framework

Beyond the affirmation of the Strategic Priorities, current strategic planning efforts are conducted on an ad hoc and reactive basis. There is not a continuous strategic planning process nor resources to support or owners to manage that process. There has been progress on sourcing these activities, in 2018 the Legislature provided a position to coordinate outcome-based management activities. While the role reports to the Director. The activities conducted under role are largely executed without formally established strategic practices, clear OBM governance or support staffing.

⁶ As defined in the draft strategy document provided by DOR: Optimization of collections will close collections reporting gaps, expand collections methods, improve collections metrics, and increase collections activity transparency.

Deliverable 2: Current State Assessment

To the extent there are strategic planning activities and efforts, they are currently concentrated at the leadership level, with limited input from management and employees. Objectives are largely decided by each division/section independently without structured development, cross agency collaboration or structured monitoring or accountability agency-wide, therefore there is inconsistency in the effort and the impact. Reporting processes also vary by division/section, and often include metrics which do not align to defined Strategic Priorities or Core Business Outcomes (see Section 3.4.1 for a more comprehensive analysis of this point). There is a culture benefit to the high degree of independence. Each division/section leader has a high awareness of and carries responsibility for the objectives they have identified. This awareness and commitment creates a general openness to a structured approach.

DOR leadership has committed to undertaking a more comprehensive strategic planning effort during the 2019 calendar year to involve a broader group of internal and external stakeholders. In addition to including a broader range of stakeholders, DOR should establish a standardized and continuous strategic planning process that establishes clear mission, vision, values and goals to which the outcome metrics can be aligned.

Key drivers of successful OBM strategic planning efforts include:

- **OBM Governance:** Establishment of a governance body with the authority to define the ongoing strategic planning process to support OBM, set timelines for implementation of the process, and establish accountability.
- **Outcome definition:** Both external benchmarking and idea generation from within the agency are needed to identify a broad list of potential objectives for leadership consideration and prioritization. The goal is to select outcomes which cascade down and across the agency from the Strategic Priorities.
- **Stakeholder involvement:** The planning process must integrate input from influential internal and external stakeholders to ensure their expectations are reflected in the Strategic Priorities.
- **Data:** Planning efforts consider availability, quality, and accessibility of data for integration into the OBM system. Availability of peer or industry data to benchmark performance targets is also a consideration.

3.2 Assessment of Agency Alignment with Strategic Priorities and Core Business

Outcomes

The purpose of the Visioning Lab and Work Session activities discussed in this section was to identify and prioritize a set of potential objectives aligned to the Core Business Outcomes and draft Strategic Priorities. The potential Objectives, developed through the leadership Visioning Lab were designed to inform and shape the Work Session activities and not to be considered the final Objectives output. The Work Groups would then use the potential Objectives to first prioritize the objectives they saw as most relevant and then to identify potential drivers and levers related to selected objectives. Both activities were designed to capture the input of the key stakeholders who have the most influence over achieving these priorities.

Deliverable 2: Current State Assessment

Table 5 3.2 Summary

Summary of Observations	Key Opportunities
<ul style="list-style-type: none"> • Participants in the Visioning Lab categorized all brainstormed objectives in the areas of Customer Service, Employee Engagement and Equity and Uniformity into the “Cultivate It” type. Because Cultivate requires improved language, this suggests a lack of clarity for the messages in these areas. • Most of the objectives selected by the Work Groups aligned to Customer Experience, followed by Enforcement and Employee Engagement. However, within Work Groups organized by function, the distribution of objective alignments changed, suggesting each functional unit sees itself as having a unique focus versus and agency-wide perspective. Each area should be able to understand their contribution to every area. • Participants in the Working Group sessions did not select any objectives aligned to the Core Business Outcome Equity and Uniformity. This raises a question as to whether there is common understanding of the definition or support for the outcome directly or whether Equity and Uniformity is perceived as embedded in a broader array of agency activities. 	<ul style="list-style-type: none"> • Complete currently ongoing work to affirm or finalize Strategic Priorities and Business Outcomes to inform the development of clear strategic objectives. Disseminate the selected framework definitions throughout the organization. • As the Objective definition work is finalized, determine DOR’s expectation for how each unit should prioritize Core Business Outcomes relative to the entire agency. • DOR should consider whether Equity and Uniformity may be better represented differently, e.g., as an agency-wide value, rather than a Core Business Outcome.

To assess the alignment of current metrics to strategic outcomes, two types of interactive sessions were conducted with DOR participants: an executive Visioning Lab and working group sessions. The Executive Visioning Lab was intended to support the RLT Leadership in further identifying the agency objectives underlying the strategic framework. The Work Groups were employed to “test” the RLT vision by first selecting priority Objectives from an initial list and then defining Drivers and Levers by which to achieve the selected objectives. For the Current State Assessment, the value of these interactive sessions was to ascertain the alignment of the objectives selected by the participants to DOR’s strategic framework.

The following pyramid illustrates how the Visioning Lab and Work Session approach leverages and complements the efforts already undertaken by DOR. Blue areas correspond to the work undertaken during the Visioning Lab, while green areas were addressed in the Work Groups. As shown in the Figure 3, Identifying (prioritizing and aligning to) Objectives are steps in the Current State Assessment as the output enables an understanding of the level of agency-wide understanding and alignment on priorities. The work to brainstorm Drivers and Levers acts an input to identifying areas to measure that are impactful for employees. These inputs will be utilized in the upcoming OBM System Work Plan deliverable.

The session activities are detailed below.

Deliverable 2: Current State Assessment

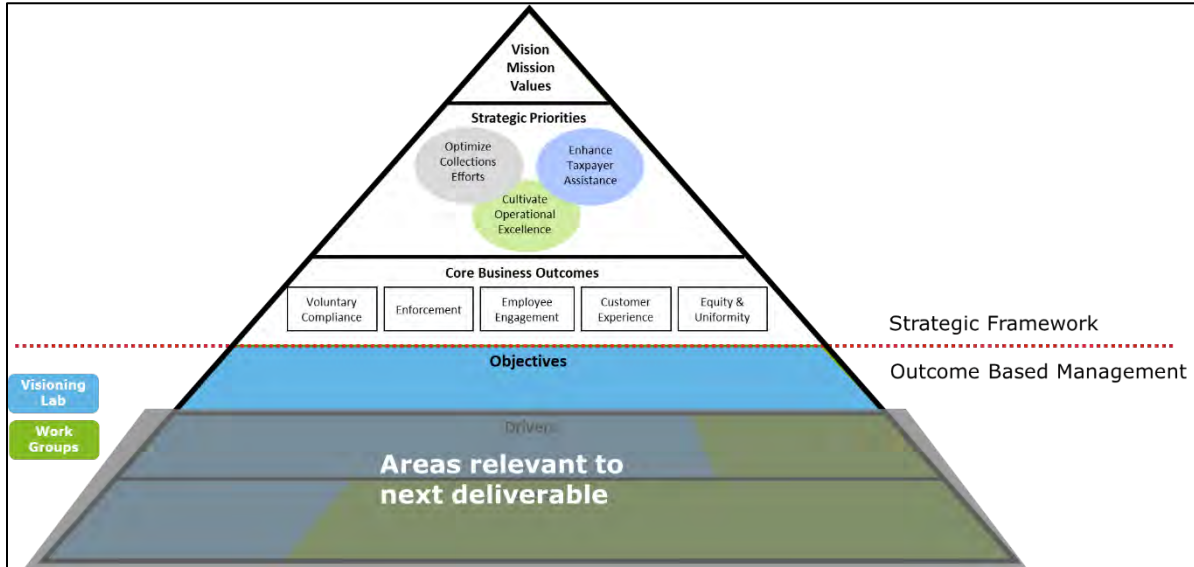


Figure 3 How the Visioning Lab and Work Session Activities Complement DOR's Draft Strategic Framework

Leadership Visioning Lab

The Visioning Lab consisted of an executive-level workshop with the purpose of validating and articulating the Objectives that underlie DOR's current strategic thinking. It included a series of dynamic, interactive exercises that allowed DOR leadership to critically consider the factors that constitute agency success. The outcomes from this workshop included not only cross-pollination among leadership perspectives, but also an end-to-end understanding of DOR's strategic approach. The main output from the Visioning Lab was a set of initial Objectives based on input from the RLT to inform the Work Sessions for employees. Figure 4 below is a table that summarizes these resulting initial Objectives from the Visioning Lab into two categories.

Keep It	Cultivate It	
<ul style="list-style-type: none"> • Voluntary Compliance: <ul style="list-style-type: none"> • Connect with every person that should file • Timely filing and payment of tax • 99-100% of people pay in full by 4/15 • Consistently identify and track non-compliance • Enforcement: <ul style="list-style-type: none"> • At least 80% of delinquent taxpayers pay / comply • Collect maximum amount of dollars to fund public service 	<ul style="list-style-type: none"> • Customer Experience: <ul style="list-style-type: none"> • Proactively provide information customers need • Easily accessible and timely • Consistent experiences • 100% of calls answered in 5 mins • Enforcement <ul style="list-style-type: none"> • Identify non-filers and verify they file • Understand consequences of enforcement actions • Select the right cases for audit 	<ul style="list-style-type: none"> • Employee Engagement: <ul style="list-style-type: none"> • Employer of Choice • Equity and uniformity: <ul style="list-style-type: none"> • Taxpayers treated fairly, equitably, and consistently • Consistent, reliable processes • All taxpayers receive the same opportunities to comply

Figure 4 Results from Visioning Lab

Deliverable 2: Current State Assessment

*Objectives in the **Keep It** category:* Participants identified these Objectives as well-articulated and actionable.

*Objectives in the **Cultivate It** category:* Participants identified these Objectives as directionally accurate, but in need of refinement.

The following table visualizes of the alignment of the Objectives above against the Core Business Outcomes identified with DOR's draft strategic framework. It also shows which Objectives fell into each of the 'Keep It' and 'Cultivate It' categories.

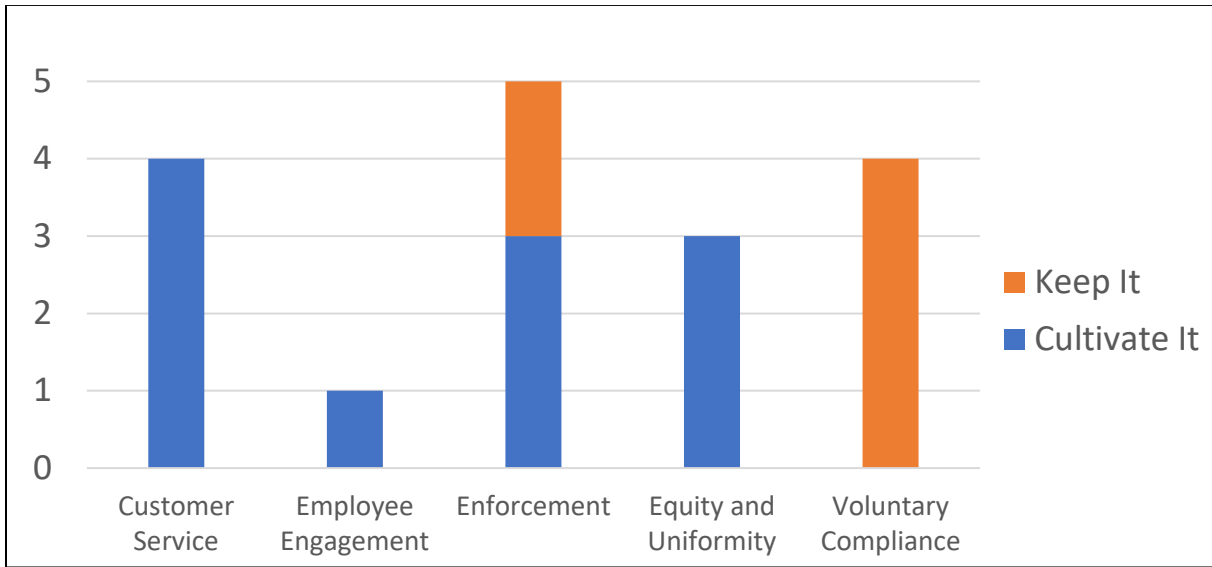


Figure 5 Count Alignment Visioning Lab Objectives to Business Outcomes

Per Figure 5 above, most of the Objectives identified in the Visioning Lab were aligned to Enforcement, and they represented a mix of Keep and Cultivate. In contrast, only one identified Objective aligned to Employee Engagement. While Customer Service and Voluntary Compliance were also represented in the Objectives identified, all the Customer Service Objectives were in the Cultivate It category, and all the Voluntary Compliance objectives were in the Keep It category. The "Keep It, Cultivate It, and Kill It" exercise⁷ results reflect the need for DOR to define/refine its strategic Objectives. This insight is particularly pertinent in the areas of Customer Service, Employee Engagement and Equity and Uniformity where the group indicated Objectives needed further cultivation.

Finally, the table below shows a suggested alignment of the initial potential Objectives (as derived from the Visioning Lab and industry practices) to DOR's Strategic Priorities. The alignment is suggested because the strategic Objectives are not mutually exclusive. More specifically, Cultivating Operational Excellence could encompass most of the Objectives aligned to the other two strategic Objectives. The rationale for the chart below was to align revenue increasing activities to Optimize Collections Efforts, Objectives that touched on customer experience to Enhance Taxpayer Assistance, and the remaining operational Objectives were aligned to Cultivate Operational Excellence.

⁷ *Keep It Cultivate It or Kill It* is a lab activity designed to support filtering and prioritization of a brainstormed list of ideas- in this case possible objectives for DOR. Those ideas that are filtered out are those that fall into the "kill it" category.

Deliverable 2: Current State Assessment

Objective	Cultivate Operational Excellence	Enhance Taxpayer Assistance	Optimize Collections Efforts
Connect with every known individual that should file		↓	
Enhance employee career paths	↓		
Expand audit presence			↓
Increase amount of customer calls resolved on first contact		↓	
Increase compliance following audits that reveal violations			↓
Increase compliance of delinquent payers			↓
Increase customer satisfaction ratings		↓	
Increase revenue collections			↓
Increase the percentage of filers who submit taxes electronically			↓
Increase the usage of self-service options		↓	
Increase voluntary compliance rate			↓
Increase workforce capacity to effectively execute their duties	↓		
Maximize payment of taxes by April 15th			↓
Minimize fraud			↓
Minimize the tax gap			↓
Optimize the consistency and quality of customer experience		↓	
Optimize time required for case resolution	↓		
Provide all taxpayers equal opportunity to comply	↓		
Reduce average time to process returns	↓		

Figure 6 Alignment of Visioning Objectives to Strategic Priorities

Work Sessions

The Work Sessions occurred subsequent to the Visioning Lab. These sessions allowed DOR's participating employees engage in a Work Group to collaboratively identify and operationalize potential key objectives from the perspective of their function. To achieve this, each Work Group identified the drivers and levers for each of the Objectives they selected from a set of 19 standard Objectives. Note that the selection of the Objectives also doubled as a prioritization opportunity as each group was given the opportunity to select the three Objectives they believed were most important or impactful for DOR.

To generate a list of working Objectives for the Work Groups several inputs were considered: the Objectives resulting from the Visioning Lab, industry leading practices and insights from Knowledgebase of standards. To avoid introducing bias into the selections, their categorization by core business outcome was removed, and it was explained to participants that these Objectives were not organized, ranked or prioritized in any way. The list of Objectives includes at least one Objective aligning to each of DOR's five Core Business Outcomes. Finally, while the list of 19 potential Objectives was provided to participants in a pre-defined way, participants could have proposed additional potential objectives if needed.



Objective: Refers to a concrete result or identifiable **end state** that an organization aspires to achieve through the organization and direction of its efforts and resources



Driver: Refers to the factors that can **directly influence** the success or failure of an objective



Lever: Refers to what we can control (**make them increase or decrease, start or stop**) to influence the drivers

This space intentionally blank

Deliverable 2: Current State Assessment

Potential Objectives	
<ul style="list-style-type: none">• Expand audit presence• Increase the usage of self-service options• Maximize payment of taxes by April 15th• Increase voluntary compliance rate• Minimize fraud• Increase compliance of delinquent payers• Connect with every known individual that should file• Increase amount of customer calls resolved on first contact• Increase revenue collections• Reduce average time to process returns	<ul style="list-style-type: none">• Optimize the consistency and quality of customer experience• Increase compliance following audits that reveal violations• Increase customer satisfaction ratings• Increase workforce capacity to effectively execute their duties• Increase the percentage of filers who submit taxes electronically• Enhance employee career paths• Provide all taxpayers equal opportunity to comply• Minimize the tax gap• Optimize time required for case resolution

Figure 7 Potential Objectives Selection List

Participants within the Work Groups were selected to provide a representative cross-section of the agency. The participants were aligned into three main groups each of which is described below.

- **Core Business Groups.** This includes *Property Tax, No File/Audit, and Policy/Research*. These are DOR divisions that perform self-contained, end-to-end functions
- **Cross Functional Groups.** This includes *Tax Collection and Tax Processing*. These are business units within the agency that perform a similar service for different parts of the core business
- **Support Services Group.** This includes *FSD, IT and HR*. These teams provide the necessary auxiliary resources and supplemental work to enable the other two Groups

Each Work Group selected a subset of the Objectives and then brainstormed drivers and levers behind each selected Objective. Figure 8 below (Work Session Objective Selection Results) represents the Objectives selected by each Work Group and alignment of those Objectives to the core business outcome areas. The grey areas indicate Objectives that were not selected.

This space intentionally blank

Deliverable 2: Current State Assessment

Outcome Areas	Objective Selected	Core Business			Cross Functional		Support Services		
		Property Tax	Non-Filer/Audit	Policy/Research	Tax Processing	Tax Collections	Financial Services Division	Information Technology Services Division	Human Resources Section
Customer Experience	Increase Amount of Calls Resolved in First Contact					✓			
	Increase Customer Satisfaction Ratings	✓	✓	✓					
	Increase Usage of Self Service Options				✓	✓		✓	
	Optimize the Consistency and Quality of Customer Experience	✓			✓		✓		
	Optimize Time Required for Case Resolution	✓							
	Reduce Average Time to Process Returns				✓				
Employee Engagement	Enhance Employee Career Paths	✓						✓	✓
	Increase Workforce Capacity to Effectively Execute their Duties	✓		✓		✓	✓	✓	
Enforcement	Expand Audit Presence		✓						
	Increase Revenue Collections	✓		✓		✓	✓		
	Minimize Fraud							✓	
	Increase compliance of delinquent payers								
	Increase compliance following audits that reveal violations								
Voluntary Compliance	Connect with Every Known Individual that Should File	✓	✓						
	Increase Voluntary Compliance Rate		✓		✓				
	Minimize the Tax Gap		✓	✓		✓			
	Maximize payment of taxes by April 15th								
	Increase the percentage of filers who submit taxes electronically								
Equity and Uniformity	Provide taxpayers equal opportunity to comply								

Figure 8 Employees Work Session Objective Selection Results

Key observations as they relate to the Core Business Outcomes

- Customer Experience.** The Work Groups exhibited a focus on Customer Experience, as noted by the relatively frequent selections of the Objectives *Optimize the Consistency and Quality of the Customer Experience*, *Increase Customer Satisfaction Ratings*, and *Increase Usage of Self Service Options*.
- Employee Engagement.** There was also a focus on increasing workforce capabilities as shown by the frequency of selection of *Increase Workforce Capacity to Effectively Execute their Duties*.
- Voluntary Compliance.** Objectives aligned with Voluntary Compliance were associated with the Core Business and Cross Functional Groups, but not with the Support Services Groups.
- Equity and Uniformity.** None of the Work Groups opted to focus on this Objective, providing a potential insight that this core business outcome may be better represented as an agency-wide value, rather than a Core Business Outcome.

This space intentionally blank

Deliverable 2: Current State Assessment

The table below provides a summary of the most frequently selected Objectives. The green bars represent Objectives that were selected at least four times, while all the blue bars represent Objectives selected three times. Objectives that were selected fewer than three times are not shown in this table.

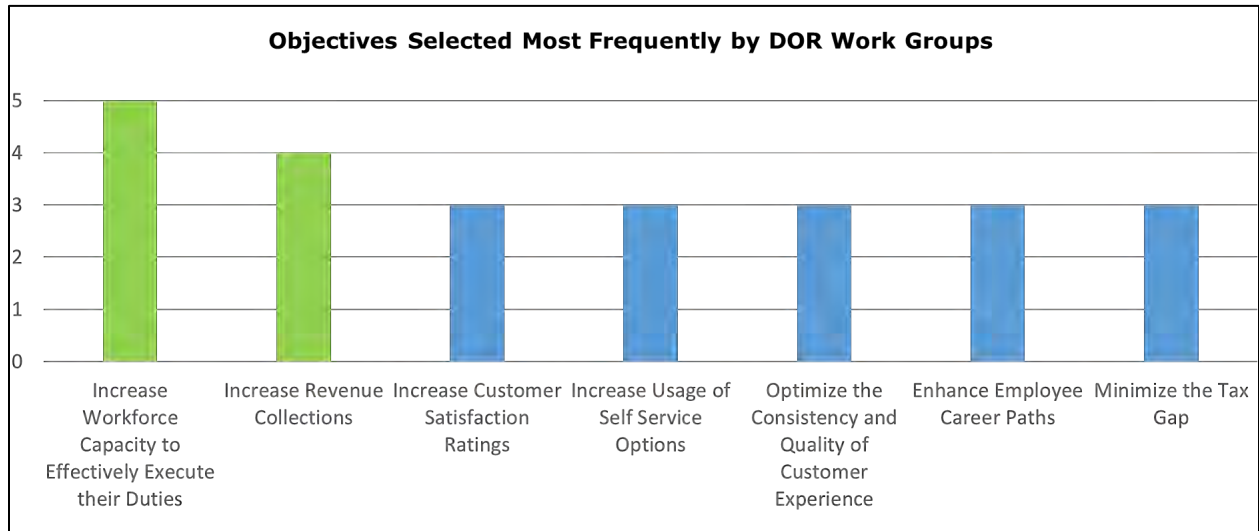


Figure 9 Objectives Selected Most Frequently by DOR Work Groups

The data in Figure 9 suggests that participating employees at DOR are interested in improving the capacity of its workforce to perform the core functions of the agency and to increase revenue collection. This insight serves as a frame of reference as the following alignment details are discussed below.

This space intentionally blank

Deliverable 2: Current State Assessment

General Alignment

The next discussion involves both the general and specific alignment of the objectives selected by the Work Groups to the Core Business Outcomes. The dashboard below provides a quick point of reference as to the overall alignment of all the Work Groups and how each individual category of Work Groups compares.

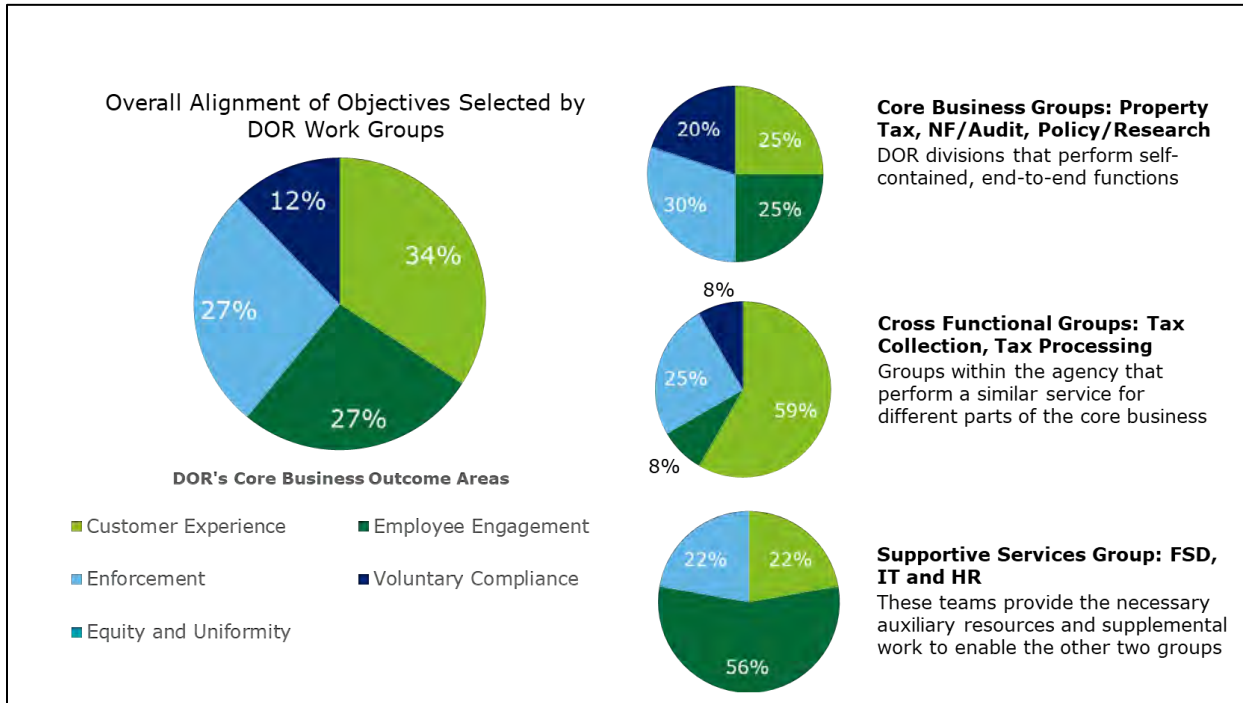


Figure 10 Alignment of Objectives Selected by Work Groups

Key observations as they relate to General Alignment

- Overall, the Work Groups selected Objectives aligned to Customer Experience
- Enforcement and Employee Engagement were each aligned to about a quarter of the Objectives selected
- Few Objectives selected were aligned to Voluntary Compliance
- No selected Objectives aligned to Equity and Uniformity

The Work Groups also revealed that DOR participating employees often acknowledge that there has not been sufficient energy focused on overall agency performance during the rollout of GenTax. Instead, over this period there has been focus on isolated areas of performance most directly impacted by the GenTax system. More specifically, it was pointed out that there is a general lack of understanding as to which measures should be considered important, how the results of those measures should be communicated to leadership, and what actions should be taken based on those results.

Observations and Feedback from Portland DOR Field Office Site Visit

As described in the approach, DOR's Current State Assessment included a field office visit to Portland. The OBM vendor assessment team spent half a day with a policy representative and participating employees representing three distinct teams: corporate audit, personal audit, and walk-in customer

Deliverable 2: Current State Assessment

service center. The purpose of the visit was to include a representative sample perspective of field office management and participating employees. The next paragraphs summarize key insights derived from this visit.

Strategic Priorities & Core Business Outcomes

- **Field office managers lacked a clear understanding of how to integrate Core Business Outcomes into their operations.** These managers are familiar with the Core Business Outcomes by name but did not feel ready to operationalize them in their day to day work. Nevertheless, this field office felt its strongest connection towards the Customer Service business outcome, as they believe their ability to directly interact with customers allows for an opportunity to educate the taxpayer.

Performance Metrics

- **The meaning of performance varies across DOR.** Depending on the field office or unit within DOR, success is defined differently. For example, for Corporate Income and Excise Tax, success means gaining compliance with filing and reporting obligations, whereas with Personal Income Tax, success means increasing enforcement mechanisms.
- **Differing opinions on the formality of performance standards for audits.** There are differences of understanding on how formal performance standards are between the field office and the central office. While the OBM system will not be focused on individual performance, the communication disconnect is an issue to be aware of during OBM system implementation.

A note on GenTax and Data

During the data gathering phase of the assessment, a subset of employees and leadership expressed differing opinions about their experience with the GenTax system. It should be noted that some divisions/sections (e.g., the Business Division) within the agency did not identify concerns with using the GenTax data. There are two issues over which there are divergent opinions. The first question relates to the access to the data within GenTax. The second issue relates to understanding the data within GenTax. The 2018 SoS DOR GenTax IT Controls audit states:

“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.”

That said, audits completed to date have not focused on data used for agency performance management and reporting contained in the GenTax system. Given the importance of GenTax as a contributing source of data that will be used as part of OBM, it is important to address the ability to effectively extract data from the system.

It was beyond the scope of this assessment to analyze and specifically document issues related to broader data management process and practice issues. However, some high-level exploration was necessary as the use of GenTax is an important component of DOR’s readiness to implement an effective OBM system. The exploration raised areas for deeper assessment pertaining to GenTax data including:

- **Report rationalization.**
- **Master Data Management (including data governance)**
- **Review of functionality of DOR’s current tool suite for visualization, publishing and reporting capabilities**

Deliverable 2: Current State Assessment

- **Additional training and organization change management**

These areas can be assessed concurrent to the design and development of the OBM system, particularly as the OBM system development activities include identifying and refining the broader agency strategy, OBM practices, procedures and identifying the agency’s organizational approach to OBM.

3.3 Assessment of Current Metrics

The analysis included an in-depth review of the metrics that DOR currently tracks, including both KPMs approved by the Legislature and metrics tracked on agency Hotsheets. Because Hotsheets are the current metric management approach, a deep dive to understand the metadata behind the metrics, and their alignment and value across the levels of the agency are all instructive to understanding where on the maturity curve DOR currently resides. This analysis focused particularly on the following:

- Hotsheets used by DOR, particularly as it relates to:
 - The degree to which the current metrics represent outcomes
 - The degree to which the metrics tracked on Hotsheets have targets, narrative explanations, and action plans
 - Whether, and to what degree, the metrics aligned to the Strategic Priorities and Core Business Outcomes as stated in DOR’s draft Strategic Framework
- KPMs, particularly as it relates to:
 - The alignment of the KPMs to the metrics found on Hotsheets
 - The alignment of the KPMs to the Core Business Outcomes
- How the current metrics tracked by DOR compare to peer states

Table 6 Assessment of Current Metrics Observations and Opportunities Summary

Summary of Observations	Key Opportunities
<p>Hotsheet Metrics</p> <ul style="list-style-type: none"> • A disproportionate number of the Hotsheet metrics, which are the primary source of organized measurement at DOR, serve an important operations management function, but they are not informative related to outcomes, nor are they stratified for executives • The metrics captured to do not necessarily tell a division level business story; nor is a cross-agency picture clearly painted by the metrics when considered in the aggregate <p>KPMs</p> <ul style="list-style-type: none"> • KPM level of granularity is too varied (i.e. some are too specific, others are too broad) 	<p>Hotsheet Metrics</p> <ul style="list-style-type: none"> • Hotsheets should be rationalized (even in the current complement) to arrive at a high value set of metrics • Ensure all retained metrics have targets, action plans • Stratify remaining Hotsheet metrics into strategic metrics for RLT consumption and operational metrics for divisional use <p>KPMs</p> <ul style="list-style-type: none"> • Collaborate with Legislative Stakeholders to improve alignment between Core Business Outcomes and KPMs

Deliverable 2: Current State Assessment

Summary of Observations	Key Opportunities
<ul style="list-style-type: none"> KPM targets are not based on industry benchmarks and are, in some instances, likely not attainable There is a lack of buy-in for certain KPMs; solutions to improve buy-in are not defined or agreed upon <p>Peer State Comparisons</p> <ul style="list-style-type: none"> The areas of publicly available metric focus vary significantly - unlike other professions, there are no national standards for what to measure for departments of revenue Appeals-related metrics appear to be widely tracked in comparator states, as evaluated with those states' annual reports and responses to the data request for this report 	<ul style="list-style-type: none"> Establish KPM targets based on industry benchmarks <p>Peer State Comparisons</p> <ul style="list-style-type: none"> Continue to evaluate publicly available metrics used by peer states for potential incorporation into DOR's measurements (Deliverable 3)

3.3.1 Hotsheets

As an agency, DOR began embarking on a transformation toward data informed decision making approximately five years ago. It is clear from an extensive review of currently used reports, which DOR calls Hotsheets, that the agency has made some progress in this regard. In particular, the agency has developed a considerable number of metrics which it reviews on a periodic basis. However, mature data analytics and data-informed decision making require that DOR (along with government as a whole) begin to rethink what is being measured, why it is being measured, and whether a given metric provides meaningful, strategic value.

An evaluation of currently tracked metrics is an important step toward understanding the extent to which DOR leverages data to make outcome-based decisions. In response to the data request, DOR initially submitted nine different Hotsheets for review. Upon further discussion it was determined there were seven additional Hotsheets to be considered, creating 16 in total. An extensive analysis of these Hotsheets showed that, since the second quarter of 2017, DOR has tracked 164 unique metrics across the agency⁸. These 164 metrics were evaluated against a set of dimensions discussed in detail below. Overall, the analysis revealed that Hotsheets do not generally provide strategically meaningful, outcome-based information to the Executive Leadership Team. Managing and reviewing 164 metrics (with limited visualization) likely results in the meaning of the data being lost as the detail is too granular and scattered across multiple reports which minimizes the effectiveness. These reports do provide benefits to other layers of the organization as they do capture ongoing operational data. This type of data is typically valuable to operational managers. Even if the quantity of Hotsheet metrics were decreased, there remain two significant challenges. The information contained therein does not consistently reflect, inform or report on information related to DOR's Strategic Priorities and Core Business Outcomes, nor is the

⁸ The analysis here does not evaluate the veracity of the data underlying these metrics, focusing instead on how the metrics are designed and operationalized from a functional view. More specifically, this analysis asks whether the metrics are aligned to the priorities, whether they measure outcomes, and so forth as outlined in opening of this section.

Deliverable 2: Current State Assessment

information in the Hotsheets displayed, or presented in a fashion that aligns with leading outcome-based reporting practices (e.g., there is no stratified executive view of the data).

The following table provides an overview of the Hotsheets that were analyzed in this assessment. The Hotsheets are organized below by the division that submitted them. Note that the “Title of Hotsheet” listed is a direct copy of the title provided within each document.

Table 7 Overview of Hotsheet Metrics

Division / Section	Hotsheet Topic Area	Title of Hotsheet	Number of Metrics / Percent of total DOR metrics
Business Division	Corporate and Estate Section	Oregon Department of Revenue Corporation and Estate Section Hot Sheet – June 2018	16 / 9.75%
	Other Agency Accounts (OAA)	OAA Collections Update – Quarter Ended June 30, 2017	7 / 4.27%
	State Lodging Tax (SLT) and Emergency 911 (E911)	Transient Lodging Tax And Tax for Emergency Communications - June 2017	6 / 3.66%
	Hazardous Substance, Petroleum Load, and Amusement Device (SPA) Financial Update	Hazardous Substance Fee, Petroleum Load Fee, and Amusement Device Tax - September 2017	8 / 4.87%
	Tobacco	Tobacco (Other Tobacco Products & Cigarette tax) – June 2017	9 / 5.48%
	Withholding and Payroll Tax Section (WPTS)	Withholding and Payroll Tax Section – March 2018	18 / 10.97%
Communications Section	Communications	Communications – April 2017 to August 2017	3 / 1.83%
Human Resources Section	Human Resources	Human Resources Section – Dashboard June 2018	23 / 14.02%
IT Services Division	GenTax Production Support	GenTax Production Support Summary as of August 31, 2018	11 / 6.70%
Processing Center Section	Processing Center	Quarter End Report – March 2018	7 / 4.26%
Property Tax Division	Support, Assistance, and Oversight (SAO)	Property Tax – Support, Assistance & Oversight Section January - June 2017	4 / 2.44%
	Valuation	Property Tax – Valuation Section April 2017 – September 2017	7 4.26%

Deliverable 2: Current State Assessment

Division / Section	Hotsheet Topic Area	Title of Hotsheet	Number of Metrics / Percent of total DOR metrics
Personal Tax and Compliance (PTAC) Division	Collections	PTAC Collections Section Update – August 2017	9 / 5.48%
	Personal Income Tax (PIT) Return Processing	2018 PIT Return Review	17 / 10.36%
	Personal Tax and Compliance (PTAC) – Compliance	Compliance Section Update – August 2018	7 / 4.26%
	PTAC Program Services	PTAC Program Services Update – Quarter Ended – April 2018	12 / 7.31%
Total			164 / 100%

Notably, of the nine DOR divisions / sections identified in the DED, only seven appear to use Hotsheets - Research and Financial Services did not submit Hotsheets for this assessment. The Business Division tracks the most metrics across these 16 Hotsheets (39% of the total), followed closely by the PTAC division (27% of the total), and HR (14% of the total).

The following figure shows a count of each division or section’s share of tracked metrics.

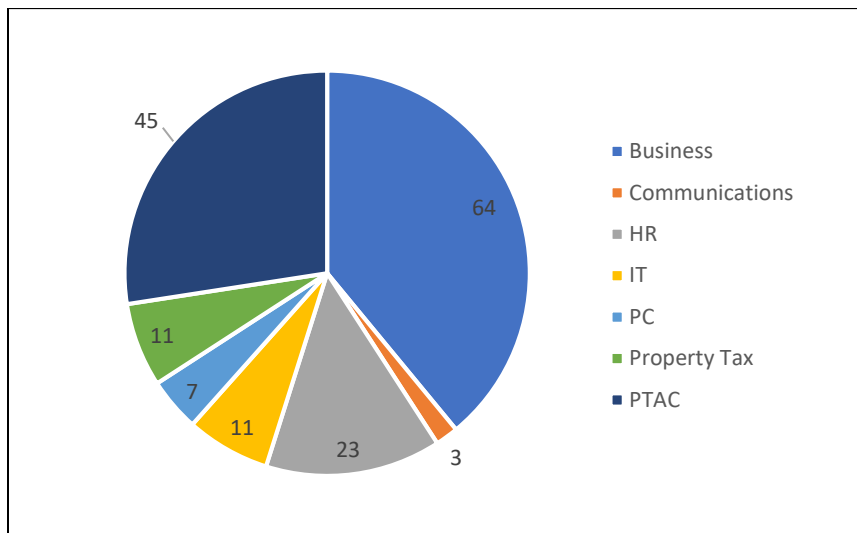


Figure 11 Count of Hotsheet Metrics Tracked by Division

The Hotsheet metrics were also analyzed along the following dimensions: Level, Target, Narrative Explanation, Action Plan, and Alignment (to Strategic Priorities and Core Business Outcomes).

Metric Level

Metrics can be described as measuring input, throughput, output, or outcomes. Each of the following “Metric Levels” is defined below:

- **Input:** Measures of requests for the agency to process, or resources needed to perform its functions (e.g. Number of incoming calls)
- **Throughput:** Measures that identify the rate at which the agency is turning inputs into outputs (e.g. Number of calls answered by staff)

Deliverable 2: Current State Assessment

- **Output:** Measures that capture the results of a process (e.g. Number of calls where a customer's question was resolved on first contact)
- **Outcome:** Measures that capture the organizational impact of a process (e.g. Percent of phone calls rated as excellent by customers)

Each of the 164 metrics on DOR's Hotsheets were analyzed for their level. Of the 164 metrics, 71 (43%) describe Throughput measures. Another 53 (32%) describe Outputs, while 25 (15%) describe Outcomes. The remaining 15 (9%) describe Inputs.

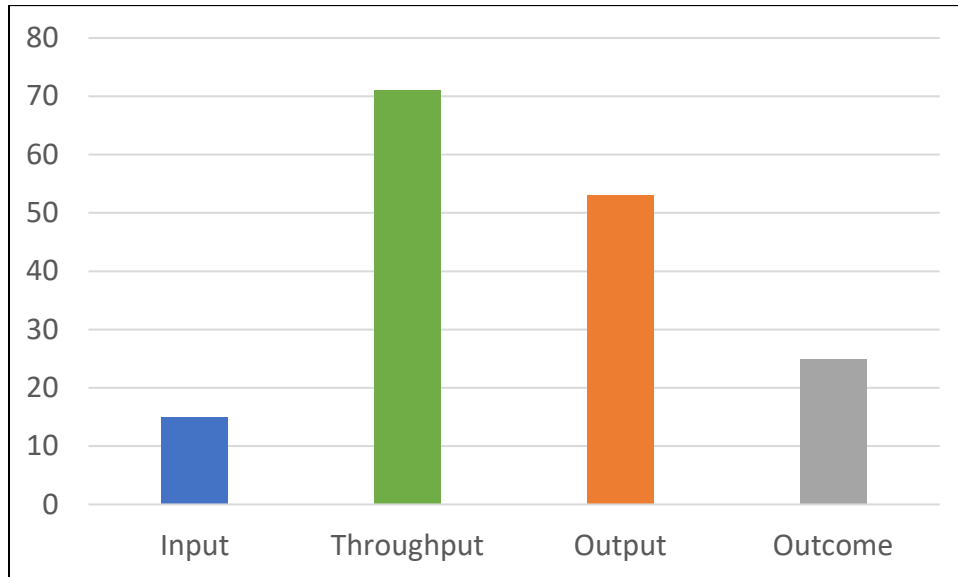


Figure 12 Count of Hotsheet Metrics Tracked by Division

Input, throughput, and output measures provide operational value to section managers. These measures typically describe the demands being placed on the agency, how quickly the agency is processing the inputs, and what the results of that process are on a tactical level (often a numeric quantity). These types of measures are important to track insofar as they provide a helpful operational view of core processes within DOR. However, they may provide less value to organizational leadership as they do not consistently, directly, and effectively address an organization's strategic performance. On the other hand, outcome measures provide strategic value to DOR leadership by providing information on how the results of a process translate to a high-level impact that is important to the agency. These types of measures are the core of an OBM system and allow an organization to understand and improve upon the practices that are most important to the agency's collective mission.

Table 8 below provides a listing of the outcomes that are measured across the 16 Hotsheets. Note that, according to this analysis, only the Business and PTAC Divisions measure outcomes, accounting for 10 of the 16 total Hotsheets. Fifteen of 64 (23%) of Business measures are outcomes, while 10 of 45 (22%) of PTAC measures are outcomes. A cursory view of the below metrics shows that each is strongly aligned to the Core Business Outcomes.

This space intentionally blank

Deliverable 2: Current State Assessment

Table 8 Outcomes Measured on DOR Hotsheets

Outcomes Measured by Business Division	Outcomes Measured by PTAC Division
<p>Corporate and Estate Section Hotsheet Collected from Filing Enforcement Dollars Collected of Total Audit Billings</p> <p>Other Agency Accounts (OAA) Hotsheet Abandoned calls Total Unrestricted Recoveries</p> <p>SLT and E911 Hotsheet 9-1-1 Receipts Lodging Receipts</p> <p>SPA Financial Update Hotsheet Amusement Receipts Hazardous Receipts Petroleum Receipts</p> <p>Tobacco Hotsheet Cost of Enforcement</p> <p>WPTS Hotsheet % Online Registrations via OBR Customer Experience: Abandon Rate/Requeued Calls iWire compliance Marijuana Return Compliance WPTS Gross RA Collections</p>	<p>Collections Hotsheet Total AR</p> <p>PIT Return Processing Hotsheet Tax Services: Abandoned Calls Tax Services: Caller Elected Call Back Tax Services: Wait Time</p> <p>PTAC Compliance Hotsheet Percent of Good or Excellent Ratings (same as KPM #4) Tax Dollars Filed on Amended Returns After Audit</p> <p>PTAC Program Services Hotsheet 2018 Fraud: Lost 2018 Fraud: Stopped Call Wait Times (KPM #5) Customer Service Survey (KPM #4)</p>

The remaining divisions do not appear to measure outcomes, as displayed in the breakdown of metric level by division below.

This space intentionally blank

Deliverable 2: Current State Assessment

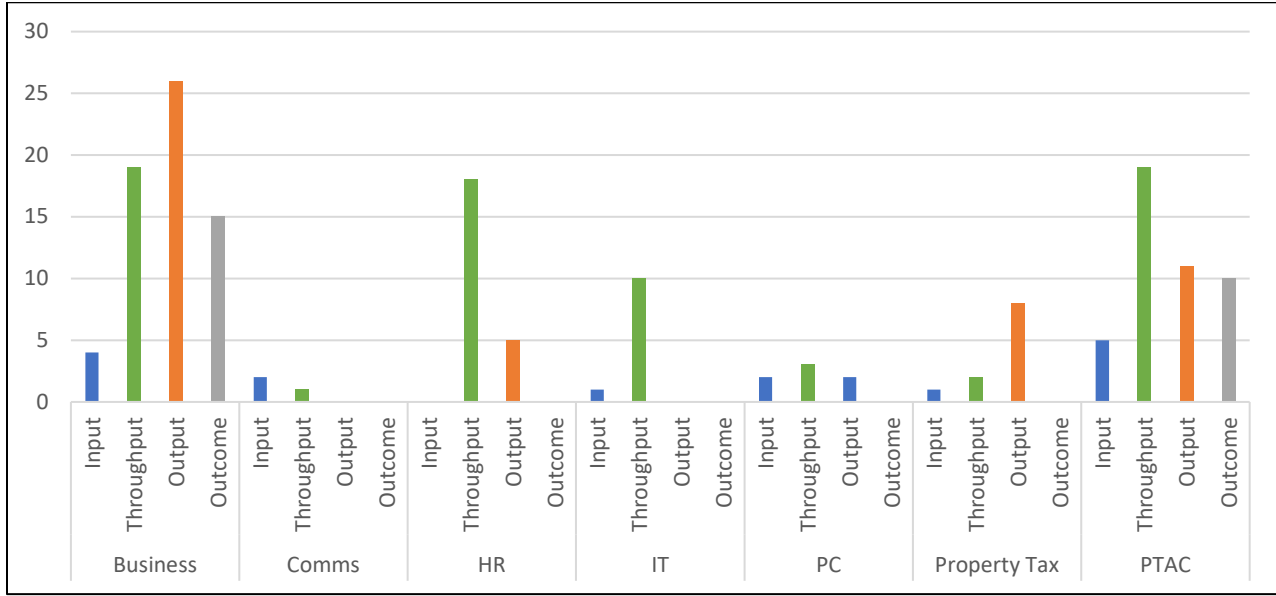


Figure 13 Count of Hotsheet Metrics by Division and Metric Level

Metric Targets

Metrics can be associated to performance targets that are provided in different formats. Generally, metric targets observed in the Hotsheets can be categorized into one of five formats, laid out below. Each format is associated with an actual example from the Hotsheets.

- **Compared to Previous Year:** The metric's performance target is to reach the same level as in a previous year (e.g. customer service ratings)
- **Goal Line:** The metric is measured on a graph, and the target is to reach a goal line established on that graph (e.g. Filing enforcement production 2017-2019 biennium)
- **Projection:** The metric's performance is to reach an estimation of how well the agency will perform (e.g. Dollars billed for desk and field audits)
- **Other Custom Goal (Described with Text):** The metric's target is described with a brief narrative that is unique to the metric (e.g. Returns Processed: "Process 90% of refund returns received on or before the due date by June 1")
- **Not Listed:** There was no target associated with the metric.

Of the 164 metrics, a majority (81%) had no established targets. Another 7% of metrics had a custom goal, while another 4% were associated with a projection. Targets described with goal lines and comparisons to previous years occurred in negligible amounts. The following pie chart shows a breakdown of metrics by metric target:

Deliverable 2: Current State Assessment

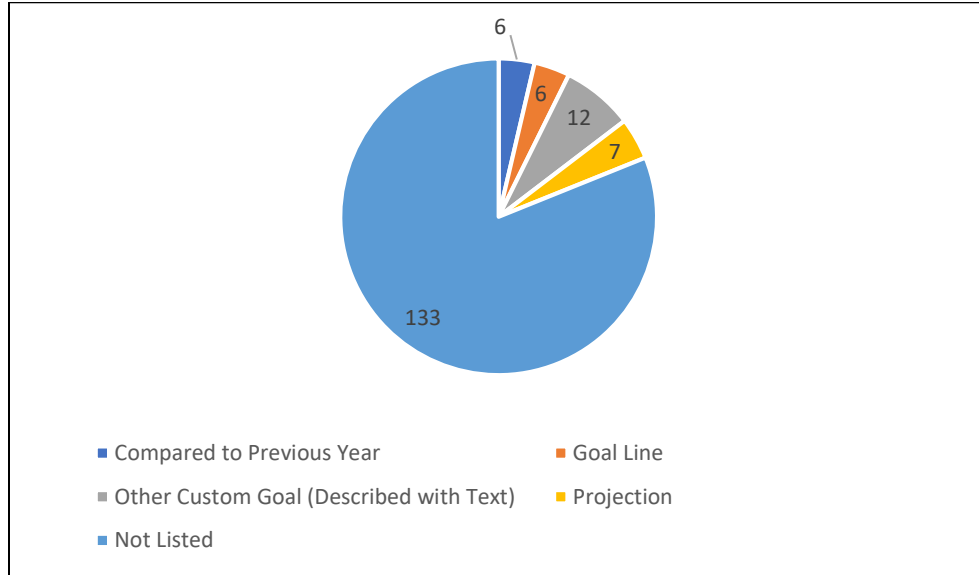


Figure 14 Count of Hotsheet Metrics by Target Type

Note that, between the four types of targets discussed in this section, leading OBM practices do not require any one type to be used in proportion to the others. The key here is that if something is measured, then it should be associated with a target. Over and under performance against that target can then be measured, and the agency can then adjust its practices to address performance relative to that target. Perhaps more important is the process for setting the targets. According to the IRS Balanced Performance Management System, “each measure should have targets based on a review of the previous year's results, historical patterns and the anticipated mix of resources available, the linkage to organizational priorities and initiatives, planned process improvements or system enhancements, and an assessment of existing and emerging trends, issues, and problems.” Note that this will be discussed further in Deliverable 3, the OBM System Work Plan.

Proportionally, the Processing Center applies targets to more of its metrics; that is, of the seven metrics that are tracked by the Processing Center, six have associated targets. Business, HR, PTAC, and Property Tax all apply targets to less than a third of their respective metrics. IT and Communications do not apply targets to any metrics. The below graph shows a count of metrics with and without targets by each of the divisions that have Hotsheets.

This space intentionally blank

Deliverable 2: Current State Assessment

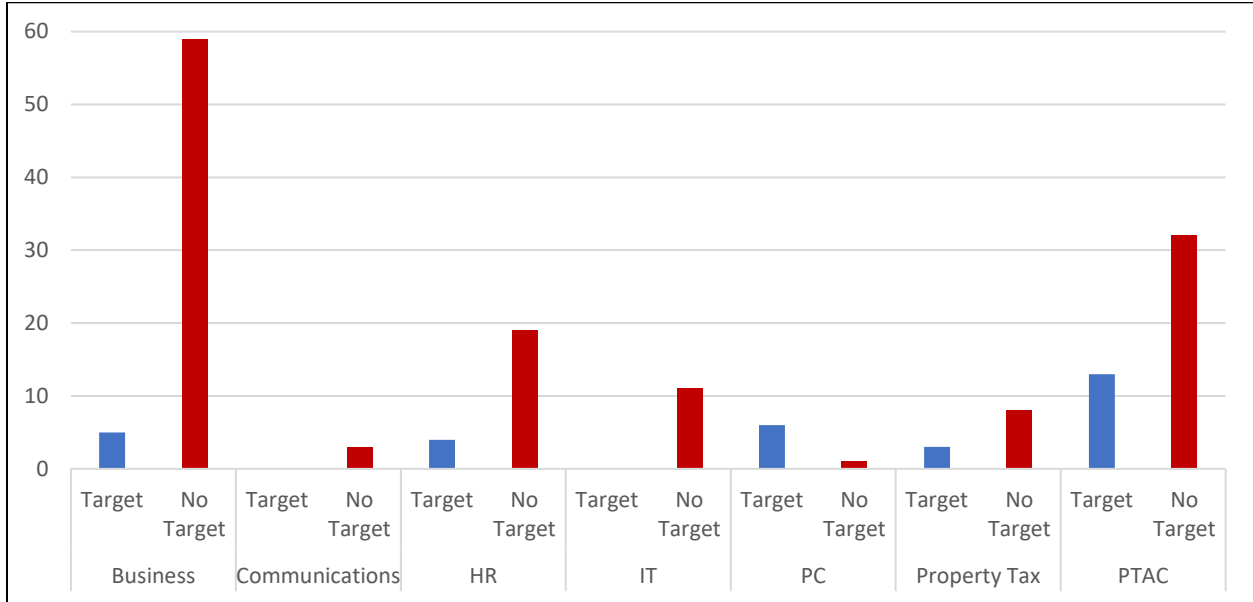


Figure 15 Count of Hotsheet Metrics by Division With and Without Targets

Metric Narrative Explanations

Only a single metric (“Average Days to Open a Recruitment”) was accompanied with a meaningful narrative explanation. This metric is tracked by the HR Section.

Associating metrics to clear and meaningful narrative explanations is considered a leading OBM practice. Narrative explanations help provide proper context for all stakeholders who may be consuming the reports that metrics are presented upon, regardless of whether those stakeholders are, or are not, already familiar with the content.

Metric Action Plans

To the extent that this dimension could be analyzed from the Hotsheets, none of the 164 metrics had an associated action plan.

Associating metrics to an action plan is also considered a leading OBM practice. Action plans provide a means for an organization to conduct course correction activities when a metric is underperforming against a target.

Action plans should be:

- Previously agreed upon by the relevant stakeholders, to the extent possible
- Clear to both those who have created the plan, and those who are responsible for carrying it out
- Known by evidence to create a positive impact on the process or practice being measured

Metric Alignment to Strategic Priorities

Overall, the existing metrics are equally aligned to Enhance Taxpayer Assistance and Optimize Collections Efforts; each of these Strategic Priorities has 61 aligned metrics (37% of the total). Another 33 metrics (20%) are aligned to Cultivate Operational Excellence. Finally, 36 metrics (22%) were not aligned to any of the three strategic priorities. Note that these percentages total greater than 100% because, in

Deliverable 2: Current State Assessment

several instances, metrics were aligned to more than one strategic priority. The graph below shows a count of metrics aligned to each of DOR's Strategic Priorities:

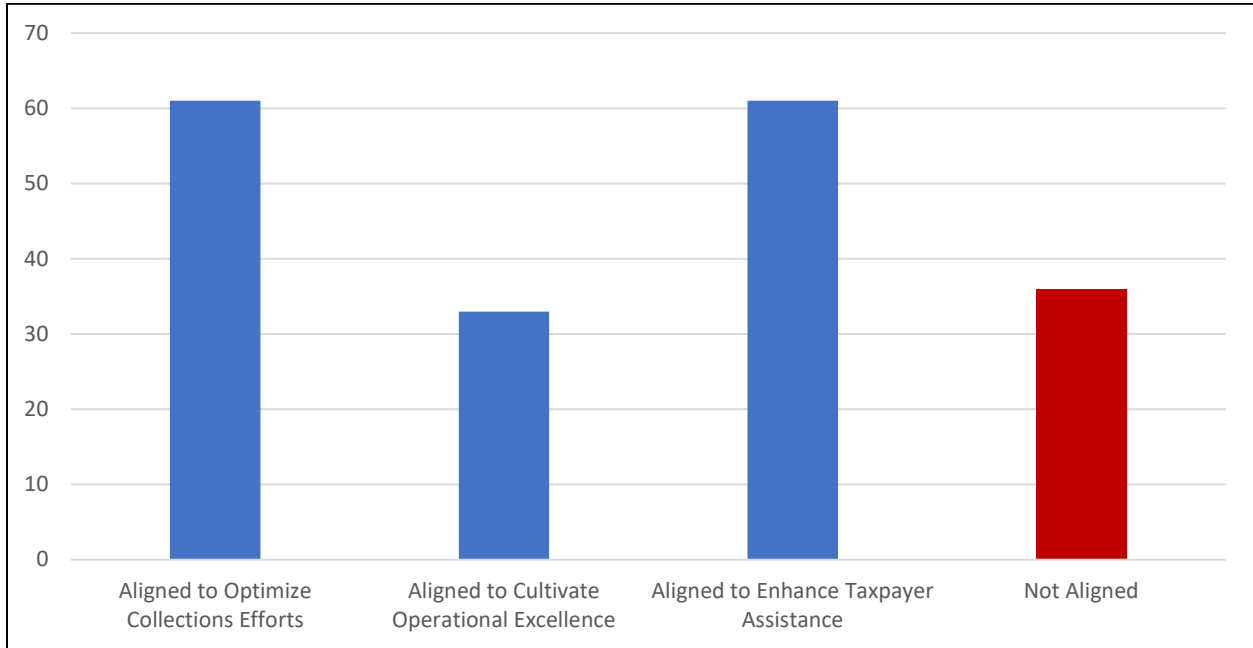


Figure 16 Count of Hotsheet Metrics by Alignment to DOR's Draft Strategic Priorities

Metric Alignment to Core Business Outcomes

Overall, the existing metrics are primarily aligned to Customer Experience (38%), Enforcement (31%), and Employee Engagement (16%). A small share of the metrics are aligned to Voluntary Compliance (5%) and Equity and Uniformity (4%). Fifteen percent of metrics are not aligned to any core business outcome. (Note that these percentages total greater than 100% because, in several instances, metrics were aligned to more than one core business outcome). The graph below shows a count of metrics aligned to each of DOR's Core Business Outcomes:

This space intentionally blank

Deliverable 2: Current State Assessment

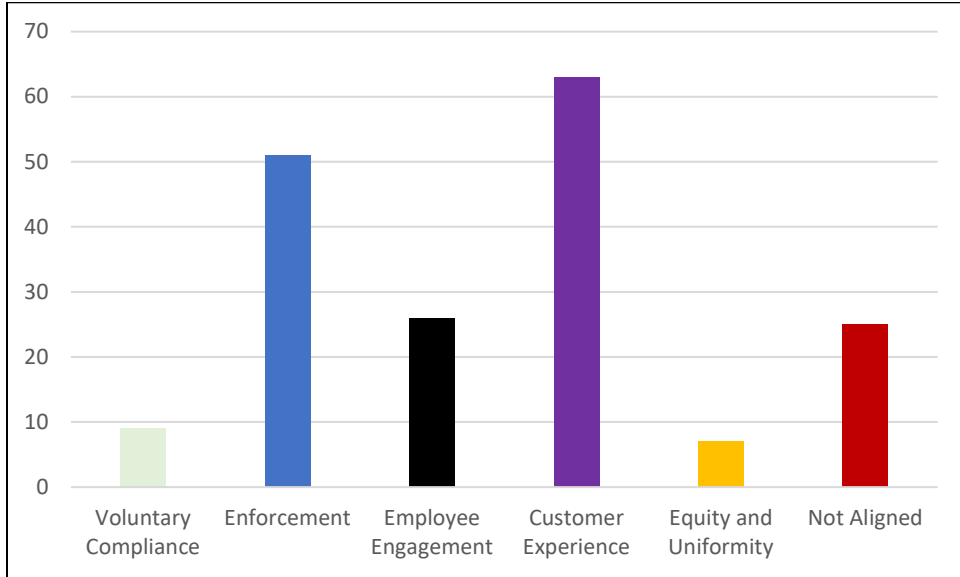


Figure 17 Count of Hotsheet Metrics by Alignment to the Core Business Outcomes

This space intentionally blank

Deliverable 2: Current State Assessment

A further breakdown of the Hotsheet metrics (by count and alignment) to Core Business Outcomes by DOR divisions is displayed below. (Note further that the counts collectively total more than 164 as several metrics were aligned to more than one area).

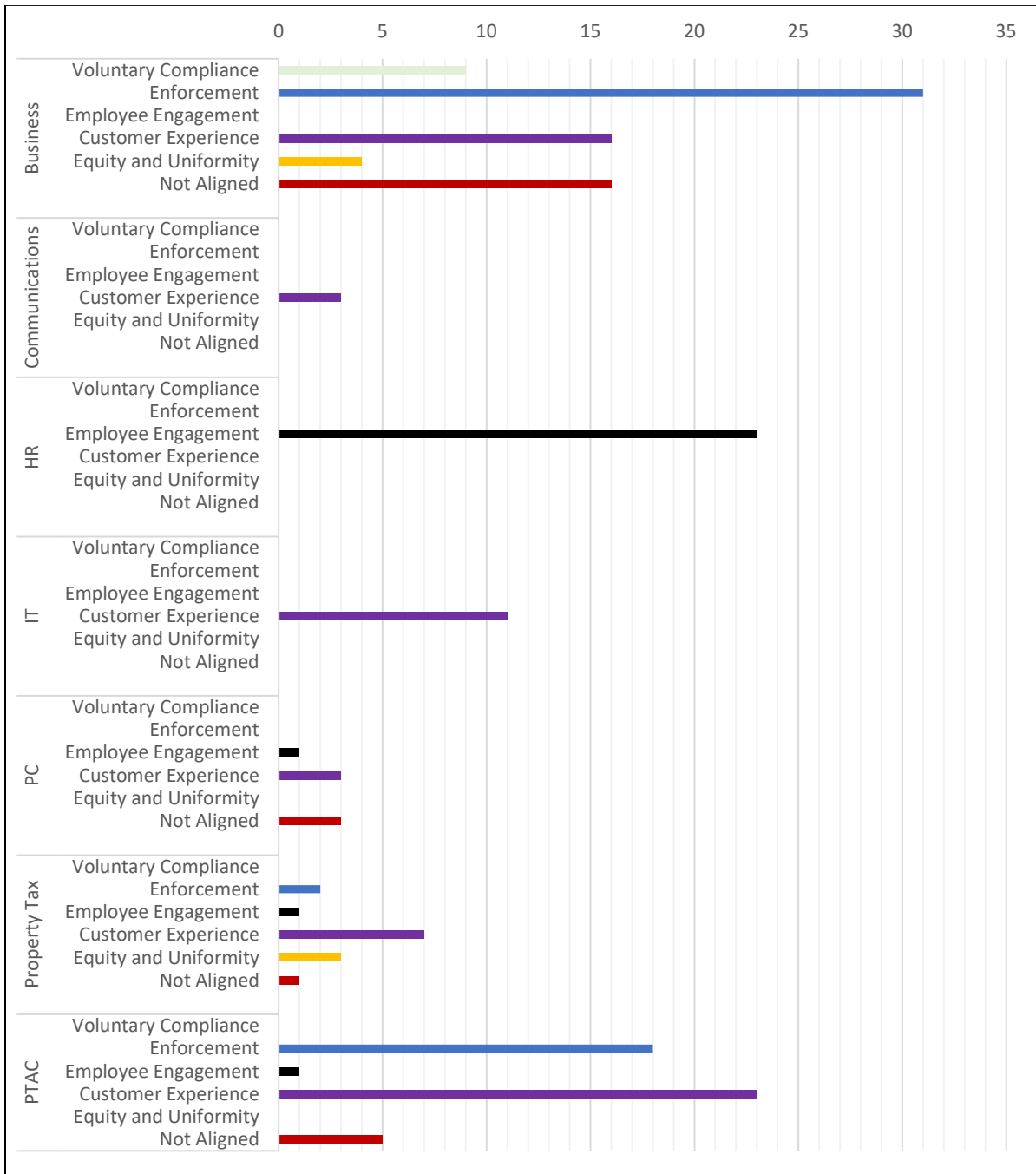


Figure 18 Count of Hotsheet Metrics by Division and Alignment to Core Business Outcomes

Note that, per previous discussion, a count of aligned metrics does not necessarily indicate that those metrics provide a view into achievement of an outcome (as defined in the Metric Level sub-section above).

Deliverable 2: Current State Assessment

3.3.2 Key Performance Measures

DOR tracks 11 Key Performance Measures (KPMs), which are approved by the Legislature as part of the agency's budget request. The KPMs vary considerably in their level of specificity. For example, KPM #1 (Average Days to Process Personal Income Tax) clearly measures only a single variable, while KPM #5 (Effective Taxpayer Assistance) is an index that factors in call wait times, success rates for "Where's My Refund?", and the entirety of KPM #4 (Customer Service). Each of the 11 KPMs was analyzed for their alignment to the metrics presented in DOR's 16 Hotsheets. Additionally, an analysis of KPM alignment to Core Business Outcomes was also conducted.

Alignment of Hotsheet Metrics to KPMs

Over a third (38%) of the 164 Hotsheet metrics do not align to any of the 11 KPMs; that is, 63 Hotsheet metrics do not "speak to" any of the KPMs. Alignment of the remaining metrics to KPMs is, at least in part, a function of whether the KPM is generic or specific. KPM #4 (Customer Service), KPM #5 (Effective Taxpayer Assistance), and KPM #11 (Employee Engagement), which are broad in their definitions, all have between 20 and 35 aligned metrics that "speak to" these factors. Alternatively, KPM #1 "(Average Days to Process Personal Income Tax Refund), KPM #2 (Percent of Personal Income Taxes e-filed), KPM #3 (Employee Training Per Year), KPM #9 (Collection \$ Cost of Funds), and KPM #10 (Cost of Assessments), which are more specific measures, all have less than five aligned metrics. The exception is KPM #8 (Direct Enforcement Dollar Cost of Funds), which has 14 aligned metrics. Notably, KPM #6 (Appraisal Program Equity and Uniformity) and KPM #7 (Appraisal Value Uniformity) do not have any aligned Hotsheet metrics. The graph below shows the differing levels of alignment of Hotsheet metrics to KPMs. Note that the graph counts higher than 164 as several metrics align to more than one KPM.

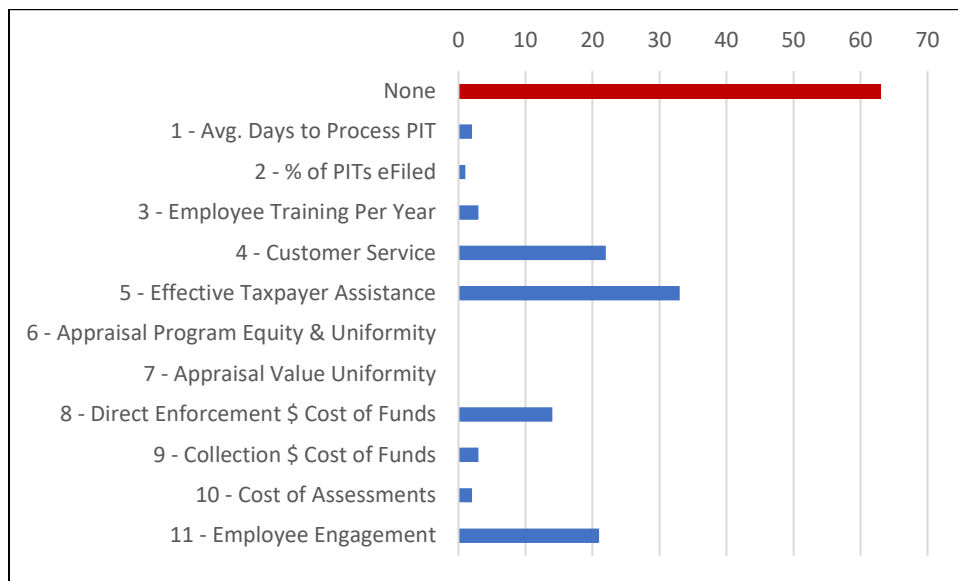


Figure 19 Count of Hotsheet Metrics by Alignment to the KPMs

Alignment of Strategic Priorities to KPMs

The following crosswalk shows how the KPMs align to DOR's Strategic Priorities. This is an imperfect exercise because the Strategic Priorities are very broad in nature and it can be argued that a single KPM could have 1:1 or one-to-many relationships to multiple Strategic Priorities. In light of this consideration a detailed rationale for the mapping alignment is contained in the Appendix Section 7.6.

Deliverable 2: Current State Assessment

The key take-away of the mapped view of the KPMs to the Strategic Priorities is that most KPMs are focused on Operational Excellence. To the extent DOR also wishes to drive the Optimize Collection efforts as well as Enhance Taxpayer Assistance priorities, they will need to recraft the KPMs to include measures that focus on those priorities.

KPM	Optimize Collections Efforts	Enhance Taxpayer Assistance	Cultivate Operational Excellence
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			

Strongly Aligned

Somewhat Aligned

Figure 20 KPM Aligned to DOR's Strategic Priorities

This space intentionally blank

Deliverable 2: Current State Assessment

Alignment of Core Business Outcomes to KPMs

The following crosswalk shows how the KPMs align to DOR's Core Business Outcomes. Enforcement is well-connected to the KPMs, with three KPMs that speak strongly to this outcome. Employee Engagement, Customer Experience, and Equity and Uniformity all have at least two KPMs that speak strongly to those outcomes. Finally, Voluntary Compliance is only somewhat aligned to two of the KPMs.

KPM	Voluntary Compliance	Enforcement	Employee Engagement	Customer Experience	Equity and Uniformity
1				Somehow Aligned	
2	Somehow Aligned			Somehow Aligned	
3			Strongly Aligned		Somehow Aligned
4				Strongly Aligned	
5	Somehow Aligned			Strongly Aligned	
6					Strongly Aligned
7					Strongly Aligned
8		Strongly Aligned			
9		Strongly Aligned			Somehow Aligned
10		Strongly Aligned			
11			Strongly Aligned		

Strongly Aligned
 Somehow Aligned

Figure 21 KPM Alignment to Core Business Outcomes

3.3.3 Comparisons to Other State Revenue Agency Outcome Metrics

This section shows how DOR tracks metrics as compared to other state revenue agencies at a high-level. Collectively, DOR's use of metrics is then contrasted against a sample set of illustrative metrics for tax administrations created by the International Monetary Fund, and a sample set of metrics compiled from the Knowledgebase which contains information based on experience in similar public sector and industry projects. As such, the following pages present a crosswalk of the following sets of metrics:

- 1) Metrics tracked by DOR
- 2) Metrics tracked by a group of nine peer states
- 3) Illustrative metrics created by the International Monetary Fund⁹
- 4) Deloitte's Industry Knowledgebase

⁹ International Monetary Fund, Fiscal Affairs Department. "Revenue Administration: Performance Measures in Tax Administration." June 2010.

Deliverable 2: Current State Assessment

Approach to the Comparison Exercise

The selection process for the nine states included in the peer state comparison are as follows:

- **States that are geographically proximate.** States with geographic proximity include Washington, Idaho, and Nevada.
- **States that have comparable tax administrations, especially as it relates to use of GenTax, state population, and annual state tax revenues.** States with similar characteristics include Colorado, South Carolina, Louisiana, and Wisconsin.
- **Additional states that responded to a data request.** This includes Pennsylvania and New York.

Data was gathered from the nine peer states via two methods:

Research on publicly available information. Research was primarily focused on the Annual Reports of each respective departments of revenue. These annual reports were used as the primary source because of their relative consistency over time (versus measures reported in one-time studies).

Data requests submitted to and returned by a sub-group of the 9 states: A request for information on tracked metrics was sent to the revenue departments of comparison states. Idaho, Colorado, Wisconsin, Pennsylvania, and New York responded.

The gathered metrics were categorized into seven different functions performed by tax administrations, a framework that is also provided by the IMF:

- Registration and filing compliance
- Customer / taxpayer service
- Return processing and payment
- Accounts receivable
- Audit
- Appeals
- Revenue Accounting and Disbursements

This space intentionally blank

Deliverable 2: Current State Assessment

Summary of Comparison Results

The summary table below shows where the nine peer states and Oregon had either publicly available information or submitted responses to the data request with respect to seven potential areas of measurement. That is, the cells *without* checkmarks indicate that the state’s revenue department did not publish information in their annual report or provide a response to the data request with respect to the area of measurement in question.

Note also that the “Summary” column to the far right shows a count of how many of the states tracked metrics related to each tax function.

Table 9 Summary of Peer State Comparisons

Tax Administration Functions	Geographically Proximate				Comparable Tax Administrations				Responded to Data Request		Summary
	Oregon	Washington	Idaho	Nevada	Colorado	South Carolina	Louisiana	Wisconsin	Pennsylvania	New York	
Registration and Filing Compliance		✓	✓						✓	✓	4
Customer Service	✓		✓		✓				✓	✓	5
Return Processing and Payment	✓		✓		✓	✓	✓	✓	✓	✓	8
Accounts Receivable	✓		✓		✓			✓		✓	5
Audit	✓		✓	✓	✓			✓	✓	✓	7
Appeals			✓		✓	✓	✓	✓	✓	✓	7
Revenue Accounting and Disbursements			✓	✓	✓	✓	✓				5

The Appendix Section 7.5 provides a series of detailed tables that a) provide a summary overview for each state, including the state’s population, total tax revenue, the types of taxes each state collects, and whether the state uses GenTax, and b) captures each state’s metrics – specifically as they relate to each of the seven tax administration functions – that were either in the state’s annual report or returned for this report in response to the data request.

High-level Takeaways from the Comparative Analysis

- **Limitations in comparability.** Oregon did not have an Annual Report comparable to the other states. Oregon’s latest Annual Performance Progress Report was used instead. The core purpose of these documents is substantially different and, as such, potential conclusions from this analysis should consider this limitation.
- **Variability.** There is not widespread consistency across how states track metrics that may comprise an Outcome-Based Management system. Though there may be leading practices that provide potential metrics for inclusion in an OBM system, ultimately, every state appears to be developing and tracking metrics within the construct of their own state-specific environment.
- **Potential high performers across the categories.** Idaho, Colorado, and New York – which collectively represent the different categories of states included in this analysis – all track metrics across at least six of the seven functions in a way that indicates they could be included in a performance management strategy (i.e. they are contained in the annual report or were reported in response to the data request). Note that this observation is not a guarantee that such states

Deliverable 2: Current State Assessment

are high-performers with respect to OBM; rather, it appears these states may have a foundation for such a system in place.

- **Notable differences between Oregon and other states.** Seven out of nine comparison states track appeals metrics per their annual report or response to the data request, while Oregon does not.

This space intentionally blank

Deliverable 2: Current State Assessment

Section 4: Organizational and Divisional Readiness to Develop an Integrated OBM System

This section synthesizes the data inputs from agency strategic documents, audits, executive and stakeholder interviews, and metrics inventory to rate DOR's current OBM maturity in two ways:

- 1) **Section 4.1 – Maturity of Outcome-Based Management by Division / Section.** This section provides an assessment of the relative OBM maturity of key divisions and sections as they relate to the high-level dimensions of people, process and technology.
- 2) **Section 4.2 – Enterprise-wide Readiness to Implement Outcome-Based Management.** This section provides an assessment of DOR (the agency) in terms of its readiness to implement an integrated OBM system. The core of this assessment is a comparison of DOR against 29 leading OBM practices. These leading practices have been accumulated in the Deloitte's proprietary Outcome-Based Management Knowledgebase which contains metric information from industry expertise, including other public sector engagements.

The factors and characteristics as presented are assessed as to whether those factors and characteristics meet the spirit of the people, process, and technology dimensions (in Section 4.1), and the 29 elements (in Section 4.2). This largely qualitative assessment is then converted to a quantitative value for relative comparison of division / section-level maturity (in Section 4.1) and organization enterprise-wide maturity across the leading practices (in Section 4.2).

For both the divisional maturity assessment and the enterprise-wide readiness assessment, target future maturity levels are estimated based on the necessary level of competency for DOR to achieve their goals for an integrated OBM system. Gap scores, the difference between target maturity and current maturity, are then calculated, and opportunities to address and begin closing gaps are documented.

The assessment of current OBM maturity among DOR divisions identifies divisions that are relatively more mature across process, people, and technology OBM dimensions, and other divisions which are considerably less mature in one or more dimensions. It also identifies where the largest gaps in maturity exist, and the target levels of maturity for each division. With this information, DOR can prioritize and tailor future actions to build the necessary capabilities in each dimension by division. It can also leverage the experiences and knowledge of relatively more mature divisions to support capacity building in less mature divisions. Similarly, the detailed assessment of organizational readiness identifies the largest gaps in each individual capability, and thus areas where DOR will need to focus efforts to build capacity to support an integrated OBM system to fully realize the intended benefits of the system.

4.1 Maturity of Outcome-Based Management by Division / Section

To ascertain the readiness of DOR to embark on the OBM system implementation journey, it is necessary to understand the relative level of maturity of the divisions/sections. To that end, an assessment of each division / section was conducted using a standardized heatmap methodology that considers and analyzes the knowledge, activities, behaviors and tools of the division or section related to OBM across 3 dimensions – people, process and technology. The analysis considers quantitative information drawn from documentation (e.g., Hotsheets) and qualitative observations (e.g., leader interviews). The results are aggregated in a visual heatmap which provides an easy to see status summary and allow for a division/section comparison. The results of this analysis inform the activities that will be included in the OBM System Work Plan to achieve target maturity.

Deliverable 2: Current State Assessment

Table 10 4.1 Summary

Summary of Observations	Key Opportunities
<ul style="list-style-type: none"> The Business Division, HR Section, Processing Center Section, PTAC Division, and Property Tax Division should reach a high-level (“Leading”) OBM maturity to enable DOR to achieve an effective OBM system Though no unit within DOR currently achieves a “Leading” level of maturity across people, process, or technology, there are foundational elements across the units The Business Division had the highest average maturity scores overall, indicating the division is performing elements (e.g., tracking certain outcome measures) of OBM consistently, but still has room to refine its efforts to reach the level of “Leading” practice behavior, (e.g., establish a process for developing metrics with performance targets, create better alignment of tracked metrics to the Core Business Outcomes) The largest gaps are currently faced by the Processing Center Section, Property Tax Division, and Financial Services Division. These gaps occur for a variety of reasons, which are noted at length in the detailed tables below. 	<ul style="list-style-type: none"> Leverage the Business Division’s capabilities to help other divisions improve across the People, Process, and Technology dimensions of OBM. Human Resources can contribute Process expertise, and Communications technology tool expertise Prioritize addressing gaps in HR, Processing Center, Personal Tax and Compliance, and Property Tax, where achieving leading performance is critical. Table 11 in this section shows a summary view of what mature people, process, and technology generally looks like and as such gives a sense of the gaps in need of closing.

Approach to the Division / Section Maturity Assessment

Where appropriate, this analysis weighs all the inputs outlined in Section 1.3 (Approach). Both internal Executives and external Stakeholders were interviewed to gather information on their understanding, perception, and where appropriate, their actions. There was particular weight given to the Executive Interviews because these leaders were asked to describe what they do today within their teams, how they view activities at the agency level and what they believe is missing to effectively drive and embrace OBM. This information is aggregated (where possible) to preserve anonymity and encourage transparency. These observations are then layered onto the Hotsheet metrics analysis to arrive at maturity ratings.

Using these inputs, each division/section was scored from “limited” (1) to “leading” (4) across each dimension to arrive at a current state score. This scoring scale is defined below:

- 1 (Limited):** The element occurs in a limited, basic, or unstructured way within the unit




Deliverable 2: Current State Assessment

- **2 (Developing):** The element occurs in a way that evidences a structured approach intention, and strategic forethought, but practices have not developed sufficiently to ensure consistency, continuity, and effective execution
- **3 (Performing):** The element has reached a level of consistency, but additional improvements could still be made to reach the leading practice
- **4 (Leading):** The element is fully in line with the leading practice in the unit

The target maturity scores for each division/section were developed using this scoring scale as well. The target scores may be viewed as a function of the potential impact the division/section has on DOR's ability to meet its identified outcomes, as well as a consideration of the level of progress possible within the two-year implementation timeframe provided in the RFP for this project.

Finally, the scores for each division/section were applied against people, process, and technology categories. The general criteria for scoring against these categories are laid out below.

Table 11 Evaluation Criteria for People, Process, and Technology Ratings

Category	Criteria
People 	The division/section scores highly if: <ul style="list-style-type: none"> • Staff understand and endorse the concept of OBM • Staff understand their role in achieving OBM and are held accountable for doing so • There are defined structures with defined roles, responsibilities, and accountability for adjustments/monitoring • Staff receive required training to effectively carry out OBM practices • Staff understand and use the tools available for OBM
Process 	The division/section scores highly if: <ul style="list-style-type: none"> • There is a process for designing, selecting, and prioritizing Outcome-based metrics • There is a process for developing and monitoring action plans when OBM data shows targets are not being reached • There is a process for periodically reviewing metrics and adjusting them as necessary
Technology 	The division/section scores highly if: <ul style="list-style-type: none"> • The division/section has implemented tools capable of effectively gathering, conducting analysis upon, and using OBM data • Data is aggregated automatically and within a single system • Divisional/sectional reports are developed from reliable data within the technology tools

This analysis acknowledges that the various divisions/sections are in some instances considerably different in size. For example, according to DOR's July 2018 organizational chart, the Research section has 10 total positions (including vacancies), whereas the Business division has over 150 total positions. One factor of this analysis that takes such a size difference into account is the recommended Target Maturity. In any case, the divisions/sections are analyzed separately here to account for the ability of each division/section to create a separate and unique impact on the overall mission of DOR.

Deliverable 2: Current State Assessment

Summary of Division / Section Maturity Assessment Results

The following heatmap shows the 9 DOR divisions/sections that were analyzed; ratings for each of those organizational units along the dimensions of people, process and technology; and recommended Target Maturity across all areas for those units. Also following the summary results table (Table 12) are two figures which serve as legends to the scoring summary. Figure 22 defines the spectrum of possible current state maturity scores and Figure 23 defines the spectrum for the gap assessment scores.

Table 12 Summary of Division/Section Current OBM Maturity

Division	Section	Current Maturity			Target Maturity	Gap ¹⁰
		People	Process	Technology	All Areas	
Business Division	-	3	3	3	4	1.00
Executive Division	Human Resources (HR) Section	2	3	2	4	1.67
	Communications Section	2	2	3	3	0.67
	Research Section	2	1	1	3	1.67
IT Division	IT Services (ITS) Division	2	2	2	3	1.00
	Processing Center (PC) Section	2	2	2	4	2.00
Personal Tax and Compliance (PTAC) Division	-	2	2	3	4	1.67
Property Tax Division	-	2	2	2	4	2.00
Financial Services Division	-	1	1	1	3	2.00

¹⁰ The gap score for each division/section is the difference between the Target Maturity rating across all areas minus the average score of people, process, and technology. Note, as such, that the color scheme for the Gap column is inverted: a smaller number represents a smaller gap to be closed, and thus a better current condition for DOR.

Deliverable 2: Current State Assessment

The rating scales for Figure 22 Current State Scores and Figure 23 Gaps Scores are provided below.

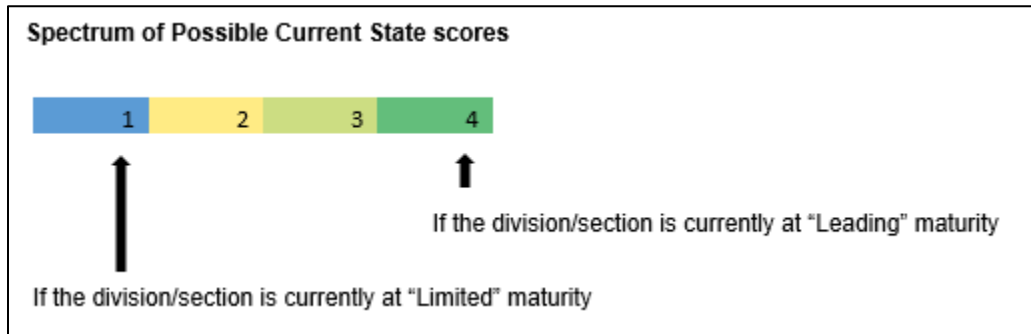


Figure 22 Current State Division/Section Assessment Scoring Spectrum

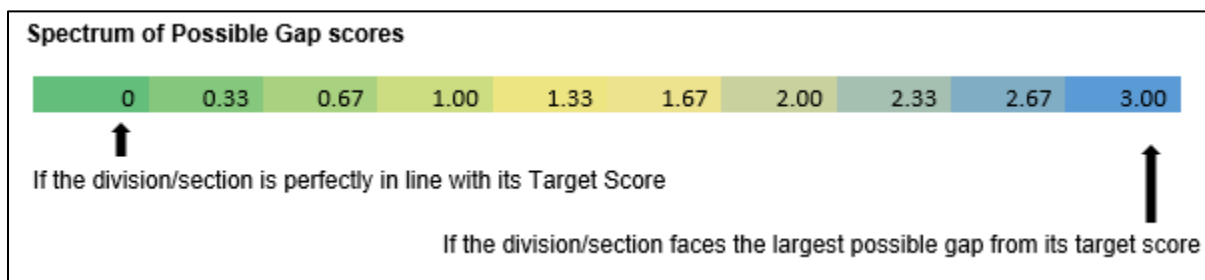


Figure 23 Current State Division/Section Gap Scoring Spectrum

As DOR seeks to implement an effective, integrated OBM system throughout the agency, each analyzed unit should strive to attain at least a three (Performing) maturity level rating. In addition, the Business Division, Human Resources Section, Processing Center Section, Personal Tax and Compliance (PTAC) Division, and the Property Tax Division should strive to obtain a four (Leading) maturity level to secure the success of OBM at the agency level. These units are either the largest by population (in which case you want as many employees as possible working toward the agency identified priorities) or are the most core to DOR's business and will therefore likely produce the largest impact with effective OBM practices.

Overall, there is considerable variation in current OBM maturity across the assessed divisions/sections of DOR. The Business Division is relatively the most mature organizational unit. The Business division received consistent Performing ratings for its use of Hotsheet metrics, occasional action plans (none of which were visible on Hotsheets), and culture of aspirational performance. The high number of metrics tracked by the Business division is not in itself an indication of well-practiced OBM, in fact, a leading OBM system typically uses fewer quantities of metrics and focuses on higher quality metrics. The Business division likely has a gap in the overall effectiveness of its OBM practices. However, the effort that the Business division is placing on reporting shows evidence of a meaningful intention toward OBM – a factor that this analysis also considers as indicative of higher maturity.

In addition to the Business Division, the Human Resources Section demonstrated the highest current maturity in the Process component at a three rating, while the Communications Section had the highest current Technology rating also at a three rating. These high relative maturity scores indicate the Business division's capabilities can be leveraged to help other divisions improve across the People, Process, and Technology dimensions of OBM, while the Human Resources Section can contribute Process expertise, and the Communications Section expertise in using technology tools to track and report on metrics.

According to this assessment, the Processing Center Section, Property Tax Division, and Financial Services Division currently show the largest relative gap between current and target state maturity.

Deliverable 2: Current State Assessment

While both Research and Financial Services generally score low across the categories, their overall target maturity is lower, which may help DOR prioritize efforts among divisions.

The following detailed tables provide rationales for the scoring system. Generally, low scores, indicate that the division/section did not achieve the people, process, and technology criteria as outlined above.

This space intentionally blank

Deliverable 2: Current State Assessment

Detailed Division / Section Maturity Assessment Tables

Table 13 Current Outcome-Based Management Maturity by Division

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Business Division (Average Current state score = 3)	3	3	3	4	<p>Summary: Overall, the Business Division has the highest relative maturity in OBM across the People, Process, and Technology dimensions. The Business Division appears to have an aspirational culture relative to its OBM practices, including tracking outcome measures on Hotsheets. Yet, a single, comprehensive view of divisional performance is still lacking.</p> <p>-People: Managers encourage employees to reach aspirational performance goals, rather than minimum standards. However, accountability is often informal.</p> <p>-Process: In some instances, there appear to be action plans in place for certain metrics (though these are not noted on Hotsheets), which stands out within DOR as a relatively mature process. However, performance targets are often fluid and, according to the Hotsheet analysis, the Business Division tracks a relatively high rate of metrics that are not well-aligned to the Core Business Outcomes (21% of total Hotsheet metrics). There is therefore room for improvement in metrics evaluation and prioritization.</p> <p>-Technology: The 6 Hotsheets that the Business Division submitted for this analysis (which include 64 total metrics) appear to leverage data largely from GenTax and the Automated Call Distribution (ACD) system.</p> <p>-Target: As one of the largest divisions and a core part of the business, the Business Division should attempt to achieve a leading maturity level with respect to OBM.</p>	1.00

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Human Resources (HR) Section (Executive Division) (Average Current state score = 2.33)	2	3	2	4	<p>Summary: HR uses dedicated resources and leverages data from multiple systems to create a monthly HR reporting dashboard which includes performance targets for key processes.</p> <p>-People: HR has a defined role for an experienced resource that includes responsibility for preparing the monthly dashboard, each business unit is responsible for supplying metrics data for the HR dashboard. There is a need to broaden understanding of OBM and what value it will bring.</p> <p>-Process: Performance of key internal HR processes such as hiring and onboarding are tracked and reported. Monitoring of performance and escalation of issues does occur, but informally.</p> <p>-Technology: HR creates a monthly HR dashboard and leverages data from multiple HR systems. Creating the HR dashboard is still a time-consuming task, though progress is being made, and rapid progress is expected when Workday is available.</p> <p>-Target: As this section is responsible for hiring, onboarding, and providing common training to DOR employees, HR should attempt to achieve a leading maturity level with respect to OBM.</p>	1.67

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
<p>Communications Section (Executive Division) (Average Current state score = 2.33)</p>	2	2	3	3	<p>Summary: Communications Hotsheet contains three metric which do not contain narrative explanations of performance or action plans. The section effectively uses technology to manage workloads against performance targets.</p> <p>-People: Section leadership feels a high degree of ownership for OBM. However, establishing expectations and accountability for employees to support OBM is difficult without a shared definition of OBM established by DOR leadership. Staff effectively use the reporting tools and technologies available to report on performance.</p> <p>-Process: Communications has an informal process for developing performance targets and action plans when targets are not reached. This section does not have clear guidance on what metrics should be reported to RLT.</p> <p>-Technology: Much of the current data used by Communications to report on metrics is captured electronically (i.e. with Agiloft Communication Tool, web/survey analytics).</p> <p>-Target: Communications should both understand and practice OBM to support effective messaging around the concept. Therefore, Communications should attempt to achieve at least a performing level of maturity with respect to its OBM practices.</p>	0.67

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Research Section (Executive Division) (Average Current state score = 1.33)	2	1	1	3	<p>Summary: Research is widely viewed within DOR as having the best capabilities to access and analyze GenTax data. Application of these capabilities to OBM have not yet become a major focus area for the Research Section.</p> <p>-People: Staff in this section are familiar with and endorse the concepts of OBM. However, OBM practices have not been put in place within Research to measure performance of the section itself, for example, defined OBM roles and responsibilities.</p> <p>-Process: Research has not yet leveraged their OBM knowledge to establish metrics evaluation and prioritization processes with their section.</p> <p>-Technology: Research possess expertise in extraction and interpretation of GenTax data. This capability has largely been used to support external reports, with less focus on using this expertise to leverage GenTax as a source of data to support OBM.</p> <p>-Target: Research may have a role in supporting OBM data collection and analysis across DOR. Therefore, Research should attempt to achieve a performing level of maturity with respect to its OBM practices.</p>	1.67

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Information Technology Services (ITS) Division (Average Current state score = 2.00)	2	2	2	3	<p>Summary: While the ITS Division tracks GenTax-related metrics, it unclear that they track outcome metrics beyond those associate to GenTax. IT sees its role as ensuring tools and data are available to support OBM, and while it is true the business will set performance related expectations, IT should consider proactively engaging the business so that the business has a better understanding of the possibilities vs being guide by a view limited by what it can conceive. IT staff are capable technologists and therefore have information not readily available to the business.</p> <p>-People: Staff are capable of implementing technical solutions, but lack a clear path for implementation of OBM practices. The division is self-described as subject to change fatigue given the GenTax rollout.</p> <p>-Process: Processes have not yet been effective enough to enable quick decision making throughout the rest of DOR. Course correction plans are ad hoc. Metrics are often not measured against a target.</p> <p>-Technology: Data used for IT metrics appears to be largely sourced from GenTax, focusing on input and throughput rather than outcomes.</p> <p>-Target: IT may have a role in supporting OBM technology tools, therefore, they must achieve at least a performing maturity level with respect to OBM practices.</p>	1.00

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Processing Center (PC) Section (within ITS) (Average Current state score = 2.00)	2	2	2	4	<p>Summary: The Processing Center tracks few metrics (seven metrics in a single Hotsheet).</p> <p>-People: Staff are largely focused on preparing for and executing their functions during tax season, as evidenced by the focus on input, throughput, and output metrics, which have not yet been connected to broader outcomes.</p> <p>-Process: Metrics evaluation and prioritization processes are not standardized. However, most existing metrics do contain performance targets.</p> <p>-Technology: Data used for metrics reports is drawn from a mix of GenTax and manually collected sources.</p> <p>-Target: As one of the largest sections (including seasonal employees) and a core part of the business, the Processing Center should attempt to achieve a leading maturity level with respect to OBM.</p>	2.00

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Personal Tax and Compliance (PTAC) Division (Average Current state score = 2.33)	2	2	3	4	<p>Summary: PTAC tracks many metrics (a total of 45 across four Hotsheets), but there is not a consolidated view to provide a comprehensive picture of how well the unit is accomplishing desired outcomes.</p> <p>-People: Currently, interviews suggested that employees may focus on day-to-day tasks at the expense of understanding the Strategic Priorities, and that OBM as a concept may not be engrained into the way in which people conduct business.</p> <p>-Process: No formal process for developing targets or action plans, but PTAC does make use of the metrics to guide its decision making.</p> <p>-Technology: Many reports are based on GenTax or ACD data. Data for KPMs requires manual effort to bring together data from multiple sources and tools.</p> <p>-Target: As one of the largest divisions and a core part of the business, PTAC should attempt to achieve a leading maturity level with respect to OBM. Moreover, PTAC's core activities are inseparable from the Core Business Outcomes of Voluntary Compliance and Customer Experience. PTAC must play a leading role in OBM if DOR seeks to achieve these Core Business Outcomes.</p>	1.67

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Property Tax Division (Average Current state score = 2.00)	2	2	2	4	<p>Summary: Property Tax tracks two KPMs (#6 and #7), in addition to two Hotsheets. In interviews, this division accurately cites the need for meaningful information, not simply more data, and sees the value in having an agency-wide dashboard of metrics.</p> <p>-People: OBM roles, responsibilities, and accountability are not defined at the division level. Sections have developed their own approaches, but they are not well defined or standardized.</p> <p>-Process: Development of performance metrics and targets is done informally within sections without overall coordination, including establishment of goals and targets. Accountability is not strong, and thus challenges are slow to be escalated.</p> <p>-Technology: Much of the data used by Property Tax appears to be gathered and tracked manually (e.g. county ratio reports, data behind KPM #7), while in-season metrics are sourced from GenTax.</p> <p>-Target: As a core part of the agency which directly addresses the mission to make revenue systems work to fund public services, Property Tax should attempt to achieve a leading maturity level with respect to OBM.</p>	2.00

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Financial Services Division (Average Current state score = 1.00)	1	1	1	3	<p>Summary: Finance does not currently track any formal metrics. Interviewees consistently cited lack of finance-related metrics as a gap.</p> <p>-People: Staff perform daily functions necessary to maintain cashflow, but a broader cultural focus on OBM is lacking. Staff may not see the "big picture" of OBM.</p> <p>-Process: Heavy focus on GenTax recently means that this division is concentrating on redefining roles and processes in the new system and has yet to develop OBM processes.</p> <p>-Technology: Though the division is becoming increasingly familiar with GenTax, Finance is not currently leveraging GenTax, or any other tool, to support OBM or metrics.</p> <p>-Target: Given that the Legislature will be closely watching how effectively DOR manages revenues, Finance must attempt to achieve a performing OBM maturity at a minimum.</p>	2.00

This space intentionally blank

Deliverable 2: Current State Assessment

4.2 Enterprise-wide Readiness to Implement OBM

As discussed at the outset of Section 4, the Current State Assessment includes an evaluation of DOR's readiness to develop an integrated OBM system at the organizational level. Note that within the maturity model itself (components, capabilities, and elements), the term "strategic priorities" is used generically. As used in the model, it refers to all components of what DOR considers the "strategic framework," that is, inclusive of both Strategic Priorities and Core Business Outcomes.

Table 14 4.2 Summary

Area of Review	Summary of Observations	Key Opportunities
<p>Maturity Component 1: Defined Outcome-based strategic priorities that cascade down to goals and Objectives within and across the agency</p> <p>1.1 Strategic Planning & Prioritization <i>(4 elements)</i></p> <p>1.2 Outcome-Based Management System Evaluation <i>(3 elements)</i></p>	<p>Process:</p> <ul style="list-style-type: none"> Strategic planning process is ad hoc, without established practices for accountability for developing, communicating, and monitoring the results 	<p>Process:</p> <ul style="list-style-type: none"> Define and execute comprehensive strategic planning process with regular update cycles and continuous improvement channels. Include stakeholder engagement, metrics evaluation, and accountability practices
	<p>People:</p> <ul style="list-style-type: none"> There is lacking a concerted push for people aspects of organizational adoption of OBM – including addressing cultural factors, organizational change management, and skill gaps. 	<p>People:</p> <ul style="list-style-type: none"> Determine factors necessary for organizational OBM adoption and implement plans to address cultural barriers, including the creation of an organizational change management strategy to support an effective and sustained transition to long-term OBM Develop a "second generation" (i.e. post-GenTax) training and organizational change management program to align processes and skills of employees.
	<p>Technology:</p> <ul style="list-style-type: none"> Data analysis and reporting tools required to support business intelligence related to 	<p>Technology:</p> <ul style="list-style-type: none"> Leverage existing tools, especially within GenTax, to build effective reports. Conduct an analysis of OBM system

Deliverable 2: Current State Assessment

	OBM are not available agency-wide.	requirements and needed capabilities to determine if they can be fully met with existing technology and tools. Reach a full understanding of current capabilities.
--	------------------------------------	--

This space intentionally blank

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
<p>Maturity Component 2:</p> <p>Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes</p> <p>2.1 Metrics Selection and Alignment (4 elements)</p> <p>2.2 Outcome-Based Management Processes and Tools (3 elements)</p> <p>2.3 Analysis and Reporting (5 elements)</p>	<p>Process:</p> <ul style="list-style-type: none"> There is no established agency-wide process and framework for metric evaluation, selection, and prioritization. 	<p>Process:</p> <ul style="list-style-type: none"> Create and adopt metrics framework
	<p>People:</p> <ul style="list-style-type: none"> Resources for OBM are not defined and allocated <ul style="list-style-type: none"> Hotsheet discussions with RLT are not coordinated and facilitated across divisions, nor are improvement actions. Accountability for action plans are not centrally tracked and managed. Ability to access and interpret data varies widely across divisions. 	<p>People:</p> <ul style="list-style-type: none"> Identify and allocate resources necessary to operate OBM Governance.
	<p>Technology:</p> <ul style="list-style-type: none"> Data standards, catalogs, and dictionaries are insufficient to support development of metrics. Content of reports are not rationalized (i.e. it is unclear why many metrics were chosen for inclusion, or what the process for inclusion of metrics looks like), and report formats are not standardized. 	<p>Technology:</p> <ul style="list-style-type: none"> Develop and execute a master data management strategy.

This space intentionally blank

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
Maturity Component 3: Practices related to governance, roles/responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the Outcome-Based Management system 3.1 Governance (4 elements) 3.2 Communication and Training (3 elements) 3.3 Monitoring and Improvement (3 elements)	Process: <ul style="list-style-type: none"> • There is a lack of defined governance structure and processes. • There is a lack of communication strategy for OBM information. • There is limited ongoing monitoring and improvement, including root cause analysis of performance. 	Process <ul style="list-style-type: none"> • Establish governance structure (i.e. the roles, responsibilities, organizational division alignment, practices/processes, and technology) and create documentation
	People: <ul style="list-style-type: none"> • OBM roles, responsibilities, and expectations are not documented. • There is no formal channel to share OBM knowledge across divisions, or communicate to employees how their work supports outcomes. 	People: <ul style="list-style-type: none"> • Identify and allocate resources necessary to operate OBM Governance.
	Technology: <ul style="list-style-type: none"> • N/A. 	Technology: <ul style="list-style-type: none"> • N/A

Approach to Enterprise-wide Maturity Assessment

To accomplish an organizational readiness assessment, this analysis rates DOR's current state against leading OBM practices. The framework for the assessment structured to assess at three levels: leading practices (which are organized into three components: strategic priorities, tools and governance), capabilities (which there are eight) and the 29 elements.

A summary view of this structure is stated below. The detailed framework with supporting rationales can be found in the following pages of this report.

- **Component 1:** Defined outcome-based strategic priorities that cascade down to goals and objectives within and across the agency
 - **Capability 1: Strategic Planning and Prioritization (4 elements)**
 - **Capability 2: Outcome-Based Management System Evaluation (3 elements)**
- **Component 2:** Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes
 - **Capability 3: Metrics Selection and Alignment (4 elements)**
 - **Capability 4: Outcome-Based Management Processes and Tools (3 elements)**
 - **Capability 5: Analysis and Reporting (5 elements)**

Deliverable 2: Current State Assessment

- **Component 3:** Practices related to governance, roles/responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the Outcome-Based Management system
 - **Capability 6: Governance** (4 elements)
 - **Capability 7: Communications and Training** (3 elements)
 - **Capability 8: Monitoring and Improvement** (3 elements)

The assessment rates DOR's current maturity in each of the 29 elements on a 4 point scale (outlined below and the same used in Section 4.1):

- **1 (Limited):** The element occurs in a limited, basic, or unstructured way within DOR.
- **2 (Developing):** The element occurs in a way that evidences a structured approach intention, and strategic forethought, but practices have not developed sufficiently to ensure consistency, continuity, and effective execution
- **3 (Performing):** The element has reached a level of consistency, but additional improvements could still be made to reach the leading practice.
- **4 (Leading):** The element is fully in line with the leading practice within the division

The rating legends for summary maturity information in Table 15 for the Current State score and Gap score respectively are provided in Figures 24 and 25 below.

The assessment also rates DOR's target future state maturity on the same scale, and notes the gap between current and future state maturity levels. These gaps represent areas that need to be addressed for DOR to achieve and sustain a leading, integrated OBM system.

This space intentionally blank

Deliverable 2: Current State Assessment

Summary of Enterprise-wide Maturity Assessment

Table 15 Summary view of Maturity Organizational Enterprise- wide Assessment

Components	Capability	Average Current State Score	Average Target	Average Gap ¹¹
Component 1. Defined Outcome-based strategic priorities that cascade down to goals and objectives within and across the agency	1.2 Strategic Planning & Prioritization <i>(4 elements)</i>	1.75	3.75	2.00
	1.2 Outcome-Based Management System Evaluation <i>(3 elements)</i>	1.00	3.33	2.33
Component 2. Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes	2.1 Metrics Selection and Alignment <i>(4 elements)</i>	1.75	4.00	2.25
	2.2 Outcome-Based Management Processes and Tools <i>(3 elements)</i>	1.00	3.33	2.33
	2.3 Analysis and Reporting <i>(5 elements)</i>	1.60	3.60	2.00
Component 3. Practices related to governance, roles/responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the management system	3.1 Governance <i>(4 elements)</i>	1.75	4.00	2.25
	3.2 Communication and Training <i>(3 elements)</i>	1.33	3.66	2.33
	3.3 Monitoring and Improvement <i>(3 elements)</i>	1.00	3.00	2.00

This space intentionally left blank

¹¹ Note that the color scheme for the Gap column is inverted: a smaller number represents a smaller gap to be closed, and thus a better current condition for DOR. Also note that the “best” possible score for the average gap is a 0 – which would coincide with a fully green color shading – and the “worst” possible score is a 3 – which would coincide with a fully red color shading.

Deliverable 2: Current State Assessment

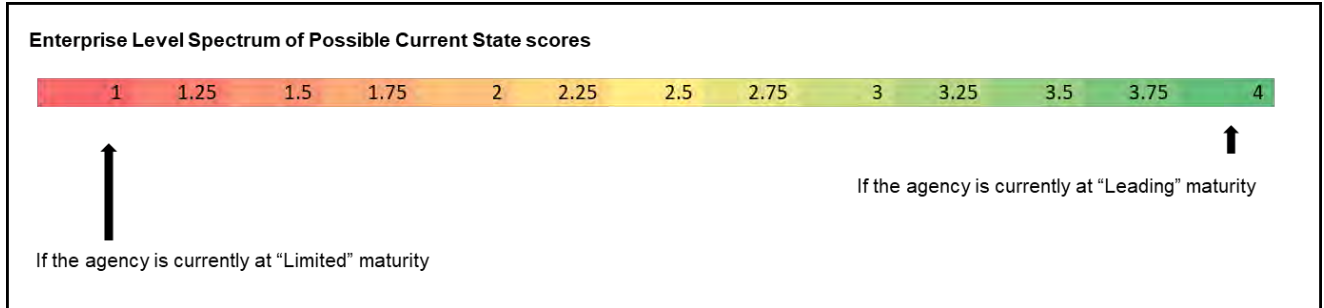


Figure 24 Enterprise Maturity Readiness Scoring Spectrum

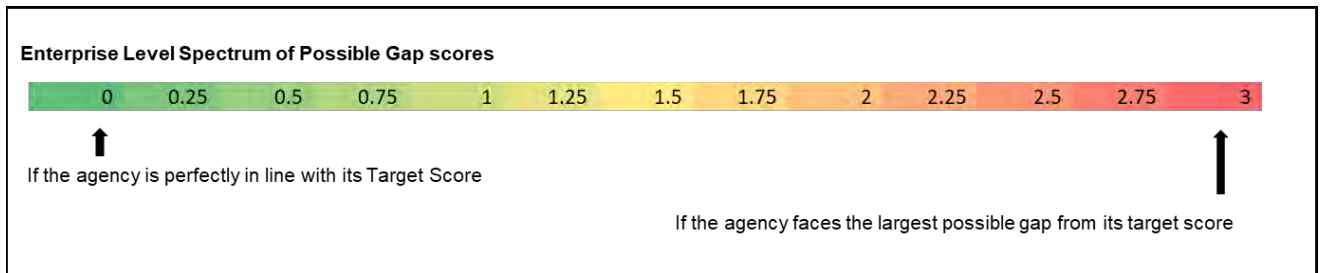


Figure 25 Enterprise Maturity Readiness Gap Score Spectrum

As an organization, DOR's current maturity rated between 1.00 and 1.75 across each of the eight capabilities in the readiness model. Target scores in each component range from 3.00 to 4.00, and thus gaps of between 2.00 and 2.33 exist. While these gaps are substantial, they are not unexpected for an organization that has not yet embarked on the full OBM transformation this assessment effort precedes. Areas of focus for DOR moving forward are strategic planning processes (including updating their Strategic Priorities, and Objectives), identify and determine metric selection and alignment, and establish a governance structure to guide ongoing operations of OBM.

Following are additional summary descriptions of how DOR scores on the Limited to Leading maturity scale across the 29 elements:

- **1 (Limited):** The element occurs in a limited, basic, or unstructured way within DOR.
 - **Current State:** 17 of the 29 elements currently score a Limited maturity.
 - **Target State:** To reach an OBM system that allows DOR to effectively manage and improve its performance, DOR should eventually have no elements that score as Limited. Therefore, of the 29 elements, DOR should eventually have no elements that score as Limited.
- **2 (Developing):** The element occurs in a way that evidences a structured approach intention, and strategic forethought, but practices have not developed sufficiently to ensure consistency, continuity, and effective execution.
 - **Current State:** 11 of the 29 elements currently score a Developing Maturity.
 - **Target State:** Of the 29 elements, there is only one element that should be allowed to score as Developing (see: Data Visualization and Dashboarding).
- **3 (Performing):** The element has reached a level of consistency, but additional improvements could still be made to reach the leading practice.
 - **Current State:** one of the 29 elements currently scores a Performing maturity (see: Executive Meetings)

Deliverable 2: Current State Assessment

- **Target State:** Of the 29 elements, there are nine elements that should score as Performing. In the long term, DOR should attempt to raise these nine elements to Leading as well; however, in the near to medium term, as DOR implements an OBM system, a Performing maturity is sufficient for these elements.
- **4 (Leading):** The element is fully in line with the leading practice within the division
 - **Current State:** No elements currently score a Leading maturity.
 - **Target State:** Of the 29 elements, there are 19 elements that should score as Leading. Given their significance to the success of the OBM effort, these elements should reach a Leading score at the outset of the OBM system implementation.

This space intentionally blank

Deliverable 2: Current State Assessment

Detailed Enterprise-wide Maturity Assessment Tables

Table 16 Organization Enterprise-wide OBM Maturity Ratings

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 1. Defined Outcome-based strategic priorities that cascade down to goals and objectives within and across the agency	1.1 Strategic Planning & Prioritization	Strategic Planning Process	Continuous planning process is fully integrated into all parts and aspects of the organization. The agency's vision is translated into structured and integrated strategies. Executive managers take ownership and provide commitments within this process.	1.00	The strategic planning process is not regularly conducted or continuous. RLT, which conducts the Department's strategic planning, is comprised of leaders from throughout the organization, but some leaders report lack of clarity in how or what to report at RLT level. The Department's Strategic Priorities and Core Business Outcomes are not yet translated into structured and integrated strategies. Executives consistently feel ownership of the metrics they have developed but do not have a common definition of OBM	3.00	2.00	While it will be important to ultimately lead in this category, a continuous planning process will be more effectively achieved once an initial process is established and the proper cadence and nature of continuous improvement can be gauged. While optimizing strategic planning may require execution and monitoring for a full cycle to reach the recommended target level of 3, the Department should build on the existing strategic activities to improve leadership's understanding in the near and to near term inform metrics development.
		Strategic Goals, Objectives and Priorities	Strategic goals, objectives, and priorities are well defined, documented, and communicated, with clear owners and accountability for executing the goals.	2.00	The strategic framework is currently being documented and refined. Most units appear to have participated in providing reasonably well-defined "objectives" (see: 2015 Agency Strategic Plan). DOR is currently evaluating its Strategic Priorities and Core Business Outcomes and reconciling them with KPMs, and the executive expresses a high degree of ownership. However, accountability for executing goals is unclear or lacking precise assignment.	4.00	2.00	Without the guide of strategic goals and objectives, OBM will lack necessary direction to be properly deployed. DOR should lead in this category from the start.
		Incorporation of Organizational/S takeholder Requirements	Organizational and stakeholder requirements are used as critical input and clearly described as context for the resulting strategic plan.	2.00	The Department has considered customer service and requirements of the Legislature in formulating its current strategic framework, though there is no systematic process for gathering stakeholder requirements, without which, full integration within the strategic planning process is unlikely to be achieved.	4.00	2.00	The Department must show that it is clearly listening to stakeholders - including the Legislature - as part of the creation of the "DOR story".
		Alignment of Metrics to Strategic Priorities	Measures are fully integrated with the agency's strategic priorities.	2.00	From the analysis of DOR KPMs and Hotsheets, current measures do not evidence a strong focus on the Strategic Priorities. Measurement has been based on the data that is available (to the extent it aligns with the individual business division/section's priorities more so than being based on an alignment of the broader Strategic Priorities of the department.	4.00	2.00	This element ensures that the strategies are fully operationalized into actionable work that promotes achievement of the Department's priorities, requiring a leading level from the start.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 1. Defined Outcome-based strategic priorities that cascade down to goals and objectives within and across the agency	1.2 Outcome-Based Management System Evaluation	Outcome-Based Management Process Analysis	Metrics, frameworks, processes, and other materials are systematically collected and evaluated to identify gaps and understand how OBM aligns to organizational goals and objectives.	1.00	Metrics are collected, but not systematically. They remain siloed and are not well evaluated against organizational goals or objectives.	3.00	2.00	While extremely important in the long run, gaps themselves won't be readily apparent until the OBM system has been operating for one complete cycle as the effective question of whether the metric performance resulted in better outcomes can only be answered after a full cycle of performance. Therefore, initially, a performing-level of maturity is sufficient.
		Outcome-Based Management Workforce Readiness	OBM workforce readiness is evaluated on a recurring basis to evaluate skill and knowledge gaps, address organizational cultural variables, and support organizational adoption of OBM practices. Change management considerations are front of mind in the organization's OBM practices.	1.00	DOR is currently experiencing change fatigue after GenTax implementation. Workforce readiness for broader OBM reforms have not been systematically assessed. Moreover, some employees may lack required skills to access and use performance data in a meaningful way.	4.00	3.00	DOR must consider organizational change management efforts to help employees adopt outcome-based measurements. Without human capital that is leading in their readiness for OBM implementation from the start, it will be almost impossible to successfully deploy an OBM system. Moreover, it is essential that there are resources that fully understand the data and can support metrics with confidence to tell a consistent internal and external story.
		Outcome-Based Management Information Systems (IMS) Analysis	IMS is reviewed on a regular basis to identify and address gaps and technology needs to improve organizational OBM practices.	1.00	DOR does not have a well-articulated strategy for how to leverage an IMS to achieve OBM – including the process to review an existing IMS to ensure effective OBM practices. The agency has expressed notable limitations in its ability to access and leverage information in the GenTax system, which would be one of several key sources of data for an OBM IMS. Systems analysis needs to be conducted to define requirements for the agency's OBM IMS, at which point it can be determined whether existing tools and technology can meet the requirements	3.00	2.00	An effective OBM system is one that allows the executive and supervisory level to see and interact with progress reports/dashboards. In order for DOR to achieve this, a robust assessment of the actual, current capability of the agency's existing technology to integrate data from multiple sources and build visualized OBM reports/dashboards at both the executive and operational level should be undertaken.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 2. Outcome-Based management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes	2.1 Metrics Selection and Alignment	Metrics Framework	Logical frameworks guide OBM definition and alignment to strategic priorities. Metrics and strategic alignment are reviewed and updated on a consistent basis across the organization.	2.00	The Department has drafted an initial framework that may support the development of metrics, including the identification of 3 Strategic Priorities and 5 Core Business Outcomes. However, this framework has not yet generated aligned metrics, and it has not been reviewed and updated on a consistent basis to ensure as much.	4.00	2.00	This element is part of the core initial infrastructure that must be fully developed and leading as a prerequisite for both initial and sustained success.
		Identification and Incorporation of New Metrics	Metrics are assessed for viability and suitability to performance goals and placed within the Outcome-Based Management framework. Research on industry-tested performance indicators and existing organizational metrics provides the foundation of metric development.	2.00	Currently, measurement selection is driven primarily by the operational needs of the core business and the demands of the Legislature. It is important that this comprise part of measure identification (see: "Organization and Stakeholder Requirements"). However, it is also important that measures are also, to an extent, designed based on industry research and are assessed based on viability and suitability to goals - these latter practices do not occur at the Department.	4.00	2.00	DOR should adopt a thoughtful and well-defined process for identifying and incorporating new metrics at the outset of its OBM efforts.
		Prioritization of Metrics	Metric viability, cost-effectiveness, and resource needs are well-documented. Following these considerations, metrics are prioritized based on performance priorities and objectives. Metric prioritization and selection sessions are transparent, use consensus-building techniques, considers metric synergy when choosing a portfolio of metrics, and are informed by leadership, managers, and business process owners. Additionally, prioritization methods are regularly revised based on changes to strategic objectives, performance goals, and environmental conditions.	1.00	Measures are not prioritized within the agency, nor are they assessed for viability, cost-effectiveness, or resource needs.	4.00	3.00	The prioritization of metrics based on viability must be considered and at "leading" maturity from the beginning of the OBM system.
		Performance Targets and Scoring	Baseline performance is based on historical data and benchmarks performance targets against industry standards to better inform goals and set realistic expectations. There is an established scoring methodology used to identify what to score (data or impact) to evaluate performance and how often scoring occurs. Additionally, the organization defines timelines and performance expectations for each target. Performance scoring is aligned to strategic priorities. A process is in place to regularly evaluate and refine targets based on actual performance and changing organizational priorities.	2.00	Several metrics are tracked against either historical or aspirational benchmarks, but it is unclear these relate to industry standards. A robust scoring mechanism is also lacking.	4.00	2.00	One of the pillars of an effective, integrated OBM system is the establishment of performance targets for all outcome-based measures, and continual scoring of the metrics against these targets. This is crucial to determine if the desired outcomes are reaching the intended state and, as such, DOR should attempt to achieve a Leading maturity rating at the outset of its OBM system implementation.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 2. Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes	2.2 Outcome-Based Management Processes and Tools	Synchronization of Outcome-Based Management Processes, Resource Alignment / Allocation, and Materials	Organizational business and Outcome-Based Management processes and procedures are synchronized across the agency. Resources, including, SMEs, SOPs, financial support, technology, and workforce requirements are defined, standardized, and allocated.	1.00	The Department is aware of several silos that impede coordination and collaboration across the agency units.	3.00	2.00	Agency synchronization is important for the efficient operation of an OBM and cross pollination of ideas and practices. However, initially it will be difficult to have a clear understanding of how to coordinate while also trying to have each unit measure what matters. Not to be confused with allowing silos, a performance level maturity enables each unit to take direction from the executive within their own processes and then calibrate and bridge across units.
		Outcome-Based Management Technology	A fully integrated OBM IMS system uses leading technology with established investments, capabilities, requirements, and roles assigned. The OBM IMS plan considers linkages with process and data collection, and includes methods for overcoming challenges to data collection, analysis, and use.	1.00	Currently, the Department does not have a plan relating to an IMS for its OBM practices. Parts of the agency have expressed challenges leveraging the data within the GenTax system to produce reliable performance metrics. This issue relates to the definition and validation of GenTax reports but is broader in scope as managing outcomes across strategic areas will require information from outside of the core processing system.	3.00	2.00	DOR should develop an effective OBM IMS, leveraging existing tools to the maximum extent possible. While the agency should eventually attain leading status for this element, it does not need to leverage the full extent of leading technology capabilities initially – and should concentrate instead at first on the core technology and process elements of a new system.
		Data Definitions, Systems, and Processes	The organization applies data management with consistent business rules. Performance management systems (whether focused on OBM or other types of performance management) are consolidated and interoperable across the organization. Data is automated, customizable, and accessible to stakeholders. Data management processes are consistent across the organization using data catalog/dictionaries and systems of records consistently.	1.00	Data accessibility has specifically been identified as a major issue with the agency, with data dictionaries and catalogues also lacking. DOR's performance management systems level of interoperability are unknown. Much of the existing data is extracted and populated into reports in an automated fashion but the data is analysis occurs in a more manual fashion.	4.00	3.00	Consistent data management enables confident interpretation of data and metrics. Confidence in performance information is critical for DOR to communicate their performance both internally and externally. Data catalogs and dictionaries guide analysts when developing insights. Interoperability of the OBM system increases information accessibility, encouraging stakeholders to obtain information from the approved system of record.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 2. Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes	2.3 Analysis and Reporting	Data and Performance Analysis	Basic and complex quality reviews and gap analyses are performed based on Agency needs and interests including measured against a baseline. Data is used to evaluate organizational performance and progress towards strategic objectives. Analytics are conducted on the data and evaluated against performance targets, thresholds, benchmarks, baselines, and for variance.	1.00	The 2016 performance management audit may be considered a gap analysis. However, data is not systematically and continuously used to evaluate outcomes against well-defined performance measures.	4.00	3.00	Ongoing analysis of outcome-based data against target thresholds will be a crucial component of an effective OBM practice from the outset.
		Results and Findings	Information is timely and accurate to support decision-making and is available on demand. Results and findings are relevant, accurate, and timely, rank data and performance, prioritize results and findings, are automated and available on demand. Information is interpreted to translate results and analysis into actionable findings and present to stakeholders.	2.00	At the agency unit level, managers can request information to aid in decision making. However, this capability depends on having dedicated resources. It's unclear that data results are translated to actionable findings. Data capture is not widely automated, and data is not widely available on demand.	4.00	2.00	It is vital that this element reach leading maturity from the outset. Actionable findings are critical for effective OBM practices. Moreover, this element will determine whether the OBM system is perceived as useful by internal stakeholders. If the system is not perceived as useful, it will soon be sidelined.
		Report Standardization	Reports, are regular, standardized, tailored to the stakeholder consuming the report, and include results against targets with narrative explanations for measurement.	2.00	Hotsheets represent regular reports with some degree of standardization, but they are too granular to be used as executive documents.	4.00	2.00	Report standardization - with some room for appropriate tailoring - will be important to achieve before an OBM system Go-Live.
		Data Visualizations and Dashboarding	User-tailored dynamic, interactive, data-populated dashboards are used for real-time decision-making capabilities.	1.00	Measures are commonly accompanied with graphics, but are not insight based, interactive (they cannot be easily segmented, "drillable" or observed through different views in a real-time manner to support management decision making.	2.00	1.00	While data visualization will be important from the outset, a performing-level maturity is sufficient initially because the content, regularity, format and tailoring of reports will likely evolve over time. Moreover, interactive dashboards may not be required as part of meaningful OBM practices at the Department.
		Executive Meetings	Coordination with primary stakeholders to prepare for meetings and set priorities and emphasis items. Presentations and reports show results against targets with narrative explanations for measurement stakeholders. Meeting are facilitated with Executives to identify the data and results that require action by the organization. Actionable plans are developed for addressing gaps.	2.00	The RLT may serve as a solid foundation from which OBM discussions can take place; however, so far RLT has not focused on DOR-wide OBM practices.	4.00	2.00	The RLT, which may be the best forum for governance over OBM, should consider OBM practices in a more regular and systemic way during its meetings. Given the crucial role of a governing body in any organization-wide initiative, this element should reach a Leading maturity from the outset of the OBM system implementation.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 3. Practices related to governance, roles / responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the management system	3.1 Governance	Executive Sponsorship	Organizational executives at the highest level vocalize support for program, attend performance review meetings, and use performance measurement to articulate organizational value and challenges in all meetings, acting on results by reinforcing success and addressing issues.	3.00	There is a high degree of leadership support for OBM, including participation, but practices have not been widely implemented.	4.00	1.00	Executive sponsorship will help OBM practices cascade throughout the Department. This must be at leading maturity from the outset. It ensures the proper flow of information and action required to implement OBM.
		Roles, Responsibilities and Accountability	Roles and responsibilities are well defined throughout the organization. Expectations are written in SOPs or program strategy. Stakeholders take ownership of their metrics, data, policies and practices. Each function has bought in to collective efforts to improve the management of the system. The review, practices and processes of the lifecycle are well defined.	2.00	Although there are certain elements of this OBM practice and considerable buy-in from leadership, performance management roles and responsibilities are not well-defined throughout the Department, and performance management is not codified.	4.00	2.00	OBM integration requires organizational culture and behavioral changes that will inevitably lead to some resistance. Without clear, compelling direction and leadership from the executive team, OBM will not succeed.
		Review, Feedback, and Communication Mechanisms	Review, Feedback, and Action Monitoring is consolidated into a single role and assigned ownership. Individuals are assigned responsibility for actions and monitoring actions to completion. There are mechanisms to maintain maximum alignment, accountability, and responsibility with changing operational needs.	1.00	This review, feedback, and action loop has not been established in any formal fashion. Some elements of it exist in some divisions.	4.00	3.00	DOR must be leading from the outset because this element connects expectations of the OBM system to individuals responsible. This will be crucial to demonstrate to stakeholders that the Department is making progress against performance targets.
		Course Correction	A fully integrated and dynamic course correction plan allows leadership to make decisions based on performance results and strategic goals. There are standardized corrective action templates, well-defined roles and responsibilities for management and execution. The plan includes mechanisms to incentivize alignment, accountability, and responsibility.	1.00	Course correction measures are undertaken informally and ad hoc depending on the division and/or situation.	4.00	3.00	Dynamic course correction plans will help ensure that, when DOR does not meet a performance target, an improvement plan that has already been discussed and agreed upon will be implemented.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 3. Practices related to governance, roles / responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the management system	3.2 Communication and Training	Program Communication	Developed communications and outreach strategy targeting executive, management, and business process performance. Well-defined, established, and facilitated program communications and outreach plans are used to increase stakeholder awareness and integration across the organization to reinforce the program's importance to strategic objectives and mission success. The organization consistently disseminates performance data sheets, templates, and aggregate information to stakeholders.	1.00	Lack of communications coordination has served as evidence to external parties that DOR faces internal challenges.	4.00	3.00	Given the circumstances facing DOR, communications with leading-maturity will ensure that the agency can manage the narrative around OBM implementation rather than react to scrutiny.
		Knowledge Transfer and Collaboration	There is facilitated sharing and developing of best practices across the organization and among other agencies, including documenting them as part of the organization's process.	2.00	While DOR communicates certain aspects of performance to the Legislature upon request, best practices relating to performance practice and policy do not appear to be shared across the agency units within the agency, or with other organizations.	3.00	1.00	DOR should attempt to make progress eliminating the siloed nature of OBM practices through coordinated efforts organized by RLT. In the near term, a performing level will be sufficient, realizing that a culture of truly effective OBM requires robust knowledge transfer and collaboration in the future.
		Staff Training	The organization conducts facilitated sessions to establish greater understanding of how performance impacts the mission and supports strategic objectives and priorities. Training sessions are used to directly enhance client capabilities in meeting goals and objectives through service delivery.	1.00	The RLT may have a general awareness of OBM practices, but actual trainings on the subject of OBM need to reach further down within DOR to help employees understand their role in OBM – including trainings on the OBM system that DOR eventually creates and implements.	4.00	3.00	To help ensure the OBM system is truly integrated throughout DOR, training employees on their role in the system will be important from the outset. This will help drive an ownership mentality of the OBM goals

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 3. Practices related to governance, roles / responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the management system	3.3 Monitoring and Improvement	Monitoring of Course Correction Activities	A corrective action process is in place and regularly followed that engages stakeholders to determine root causes and prioritizes interests or develop a corrective action plan to refocus on key performance areas, including a corrective action monitoring plan to evaluate changes.	1.00	Similar to course correction measures, corrective actions are undertaken informally and ad hoc depending on the business division/section and/or situation.	3.00	2.00	A corollary to "course correction", Department management must understand the effectiveness of its course correction activities in order to continually improve them.
		Measure / Indicator Improvement	Performance targets and metrics are added, removed, or modified based on the relevance of data and information that accurately assesses the organization's strategic performance priorities. This information is reviewed and challenged by management.	1.00	The measures in the Department's current Hotsheets do evolve according to the needs of the agency unit producing them. Managers often request updates/changes. Management is aware the currently tracked measures do not provide information that accurately assess the organization's Strategic Priorities, but this has not yet translated into revision of performance measures and targets.	3.00	2.00	The parts of the system that lead to ongoing monitoring and improvement can be, initially, held at the performing maturity level. A certain degree of piloting and adapting the system to the needs of the agency must take place before DOR is able to lead in this area.
		Program / Initiative Improvement	The organization conducts regular assessment of programs and initiatives, including identification of root causes of performance results with managers.	1.00	At the managerial level, there is some monitoring of core processes. However, it is unclear that root cause performance analyses are performed.	3.00	2.00	Regular, comprehensive assessments of programs and initiatives will eventually be an important part of an integrated OBM system at DOR.

Deliverable 2: Current State Assessment

Section 5: Summary of Observations and Opportunities

The following table provides a consolidated summary of the observations and opportunities identified within each section of the Current State Analysis.

Table 17 Summary of Observations, Gaps, and Opportunities

Area of Review	Summary of Observations	Key Opportunities
<p>Assessment of Strategic Planning Process (Section 3.1)</p>	<ul style="list-style-type: none"> • Strategic planning process does not follow an existing, repeatable process and is reactive rather than proactive • Planning is top down, while information is provided bottom up, leading to misalignment • Further work is needed to link strategic priorities to measurable outcomes and metrics 	<p>Finalize agency strategy</p> <ul style="list-style-type: none"> • Define Comprehensive Strategic Planning Process and Cycle • Conduct a full Strategic Planning Cycle and proactively set Goals <p>Implement agency strategy and integrated OBM through selected governance structure</p> <ul style="list-style-type: none"> • Execute defined governance processes to evaluate metrics, create and monitor action plans, maintain accountability, and foster continuous improvement • Identify measurable outcomes and metrics to track progress • Collect data to support metric reporting • Align resources to support achievement of outcomes
<p>Assessment of Strategic Priorities and Alignment (Section 3.2)</p>	<ul style="list-style-type: none"> • Participants in the Visioning Lab categorized all brainstormed objectives in the areas of Customer Service, Employee Engagement and Equity and Uniformity into the “Cultivate It” type. Because Cultivate requires improved language this suggests a lack of clarity for the messages in these areas • Most of the objectives selected by the Work Group participants aligned to Customer Experience, followed by Enforcement and Employee Engagement. However, within Work Groups organized by function, the distribution of objective alignments changed, suggesting 	<ul style="list-style-type: none"> • Complete currently ongoing work in defining clear strategic objectives for Customer Service, Employee Engagement and Equity and Uniformity. Disseminate the selected framework definitions throughout the organization • As the Cultivate work is finalized, determine DOR’s expectation for how each unit should prioritize Core Business Outcomes relative to the entire agency • DOR should consider whether Equity and Uniformity may be better represented differently, e.g., as an agency-wide value, rather than a Core Business Outcome

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
	<p>each functional unit sees itself as having a unique focus versus and agency-wide perspective. Each area should be able to understand their contribution to every area</p> <ul style="list-style-type: none"> Participants in the Working Group sessions did not select any Objectives aligned to the Core Business Outcome Equity and Uniformity. This raises a question as to whether there is common understanding of the definition or support for the outcome directly or whether it is perceived as embedded in a broader body of work 	<p>See above</p>
<p>Assessment of Current Metrics (Section 3.3)</p>	<p>Hotsheet Metrics</p> <ul style="list-style-type: none"> Many metrics, which are the primary source of organized measurement at DOR, serve an important operations management function, but they are not informative related to outcomes, nor are they stratified for executives The metrics captured to do not necessarily tell a division-level business story; nor does is reflect cross-agency progress <p>KPMs</p> <ul style="list-style-type: none"> KPM level of granularity is too varied (i.e. some are too specific, others are too broad). KPM targets are not based on industry benchmarks and are in some instances likely not attainable There is a lack of participating employee and leadership buy-in for certain KPMs; strategies and solutions to improve buy in are not defined 	<p>Hotsheet Metrics</p> <ul style="list-style-type: none"> Hotsheets should be rationalized (even in the current complement) to arrive at a high value set of metrics Ensure all retained metrics have targets and action plans Stratify remaining Hotsheet metrics into strategic metrics for RLT consumption and operational metrics for divisional use <p>KPMs</p> <ul style="list-style-type: none"> Collaborate with Legislative Stakeholders to improve alignment between the Strategic Priorities and KPMs Establish KPM targets based on industry benchmarks

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
	<p>Peer State Comparisons</p> <ul style="list-style-type: none"> • The areas of publicly available metric focus vary significantly • Appeals-related metrics appear to be widely tracked in comparator states, whereas DOR does not appear to have a similar emphasis in the KPMs 	<p>Peer State Comparisons</p> <ul style="list-style-type: none"> • Continue to evaluate publicly available metrics used by peer states for potential incorporation into DOR's measurements (Deliverable 3) <p>See above</p>
<p>Current Outcome-Based Management Maturity by Division (Section 4.1)</p>	<ul style="list-style-type: none"> • The Business Division, HR Section, Processing Center Section, PTAC Division, and Property Tax Division should reach a high-level ("Leading") OBM maturity to enable DOR to achieve an effective OBM system • Though no division/section within DOR currently achieves a "Leading" level of maturity across people, process, or technology, there are foundational elements found across the business units that provide a starting foundation • The Business Division had the highest average maturity scores overall, indicating the division is performing elements (e.g., tracking certain outcome measures) of OBM consistently, but still has room to refine its efforts to reach the level of "Leading" practice behavior, (e.g., establish a process for developing metrics with performance targets, create better alignment of tracked metrics to the Core Business Outcomes) and to develop ongoing monitoring and course correction action plans 	<ul style="list-style-type: none"> • Leverage the Business Division's capabilities to help other divisions improve across the People, Process, and Technology dimensions of OBM. Human Resources can contribute Process expertise, and Communications technology tool expertise • Prioritize addressing gaps in HR, Processing Center, Personal Tax and Compliance, and Property Tax. There are relatively larger gaps in these divisions/sections and each has been recommended to achieve a "Leading" maturity rating

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
	<ul style="list-style-type: none"> The largest gaps are currently faced by the Processing Center Section, Property Tax Division, and Financial Services Division. These gaps occur for a variety of reasons, which are noted at length in the detailed tables below 	
<p>(Section 4.1)</p> <p>Maturity Component 1: Defined Outcome-based strategic priorities that cascade down to goals and objectives within and across the agency</p> <p>1.1 Strategic Planning & Prioritization <i>(4 elements)</i></p> <p>1.2 Outcome-Based Management System Evaluation <i>(3 elements)</i></p>	<p>Process:</p> <ul style="list-style-type: none"> Strategic planning process does not provide established practices for accountability for developing, communicating, and monitoring performance results <p>People:</p> <ul style="list-style-type: none"> There is lacking a concerted push for people aspects of organizational adoption of OBM – including addressing cultural factors, change management, and skill gaps <p>Technology:</p> <ul style="list-style-type: none"> Data analysis and reporting tools required to support business intelligence related to OBM are not available agency-wide 	<p>Process:</p> <ul style="list-style-type: none"> Define and execute comprehensive strategic planning process with regular update cycles and continuous improvement channels. Include stakeholder engagement, metrics evaluation, and accountability practices <p>People:</p> <ul style="list-style-type: none"> Determine factors necessary for organizational OBM adoption and implement plans to address cultural barriers, including the creation of an organizational change management strategy to support an effective and sustained transition to long-term OBM Develop a “second generation” (i.e. post-GenTax) training and organizational change management program to align processes and skills of employees <p>Technology:</p> <ul style="list-style-type: none"> Leverage existing tools, especially within GenTax, to build effective reports. Conduct an analysis of OBM system requirements and needed capabilities to determine if they can be fully met with existing technology and tools
<p>Maturity Component 2: Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes</p>	<p>Process:</p> <ul style="list-style-type: none"> There is no established agency-wide process and framework for metric evaluation, selection, and prioritization <p>People:</p> <ul style="list-style-type: none"> Resources for OBM are not defined and allocated <ul style="list-style-type: none"> Hotsheet discussions with RLT are not coordinated 	<p>Process:</p> <ul style="list-style-type: none"> Create and adopt metrics framework <p>People:</p> <ul style="list-style-type: none"> Identify and allocate resources necessary to operate OBM Governance

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
<p>2.1 Metrics Selection and Alignment (4 elements)</p> <p>2.2 Outcome-Based Management Processes and Tools (3 elements)</p> <p>2.3 Analysis and Reporting (5 elements)</p>	<p>and facilitated across divisions, nor are improvement actions</p> <ul style="list-style-type: none"> Accountability for action plans are not centrally tracked and managed Ability to access and interpret data varies widely across divisions <p>Technology:</p> <ul style="list-style-type: none"> Data standards, catalogs, and dictionaries are insufficient to support development of metrics Content of reports are not rationalized (i.e. it is unclear why many metrics were chosen for inclusion, or what the process for inclusion of metrics looks like), and report formats are not standardized 	<p>Technology:</p> <ul style="list-style-type: none"> Develop and execute a master data management strategy
<p>Maturity Component 3: Practices related to governance, roles/responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the Outcome-Based Management system</p> <p>3.1 Governance (4 elements)</p> <p>3.2 Communication and Training (3 elements)</p> <p>3.3 Monitoring and Improvement (3 elements)</p>	<p>Process:</p> <ul style="list-style-type: none"> There is a lack of defined governance structure and processes There is a lack of communication strategy for OBM information There is limited ongoing monitoring and improvement, including root cause analysis of performance <p>People:</p> <ul style="list-style-type: none"> OBM roles, responsibilities, and expectations are not documented There are few formal channels to effectively share OBM knowledge across divisions, or communicate to employees how their work supports OBM, agency Strategic Priorities or ore Business Outcomes. 	<p>Process:</p> <ul style="list-style-type: none"> Establish governance structure (i.e. the roles, responsibilities, organizational division alignment, practices/processes, and technology) and create documentation <p>People:</p> <ul style="list-style-type: none"> Identify resources and skills required to initiate and staff governance body

Deliverable 2: Current State Assessment

Section 6: Conclusion and Next Steps

Collectively, the observations and key opportunities derived from the Current State Assessment of OBM at DOR lead to cross-cutting enterprise-level observations and opportunities. The three high-level priority areas for improvement that emerged throughout the Current State Assessment were strategic planning, OBM governance, and metrics selection and prioritization. Each area reflects the need for commitment and drive from DOR leadership.

1. Current strategic planning efforts are ad hoc and reactive. Next steps include an opportunity for DOR to document and execute a comprehensive forward-looking strategic planning process to finalize the agency strategy and align on the Strategic Priorities and Core Business Outcomes. The strategic planning process can then be conducted at regular defined intervals and include pathways for relevant updates outside those intervals as dictated by proactive monitoring for emerging trends.
2. The governance processes that exist at DOR today are inadequate to support an integrated OBM system. As a next step, there is an opportunity for DOR to establish and document an agreed upon governance structure for OBM that includes roles, responsibilities, processes, tools/technologies, resourcing, and accountability for results. Once established, the strategic planning process will provide inputs to OBM governance in terms of Strategic Priorities, Core Business Outcomes, and Objectives. The governance process will then guide selection and prioritization of aligned metrics through a metrics framework.
3. Although the metrics selection and alignment process will be a component of the OBM governance structure once it is established and operating, there is an opportunity to make near term improvements in how metrics are selected and monitored by RLT using a metrics framework. A next step is to develop a metrics framework to evaluate, prioritize, and operationalize metrics, which will be part of the upcoming OBM System Work Plan deliverable within the OBM Operating Model.

Observations indicate an additional opportunity to advance organizational adoption of OBM through a “second generation” organizational change management and training program. This program would seek to achieve greater alignment between DOR business processes and GenTax system functionality and capabilities by offering employees additional level appropriate training to ensure they have the knowledge and skills to execute the defined business processes as intended within GenTax.

There is also an opportunity to improve the ability of DOR employees to operationalize OBM by defining and executing a master data management strategy. The strategy will seek to ensure that data standards are defined and followed to maintain data validity and provide resources to support those extracting data for OBM reporting from the system to enable consistent and correct data interpretation.

Both the second generation and organizational change management program and master data management strategy tasks will appear as steps on the OBM Roadmap within the upcoming OBM System Work Plan deliverable.

Deliverable 2: Current State Assessment

Table 18 Summary of Enterprise Observations and Strategic Opportunities

Enterprise Observations	Strategic Opportunities
Strategic planning process is ad hoc, reactive, and based on hindsight	Document a forward-looking strategic planning process, finalize agency strategy, and complete alignment on Strategic Priorities and Core Business Outcomes
There is a lack of defined structure, processes, and supporting resources for OBM governance	Establish governance structure (i.e. the roles, responsibilities, organizational division alignment, practices/processes, and technology) and create documentation. Identify and allocate resources necessary to operate OBM Governance
There is only a limited push for organizational adoption of OBM	Address barriers to adoption of OBM through “second generation” training and change management
There is varying ability to access and interpret existing data	Develop and execute a master data management strategy
Hotsheets do not provide leadership sufficient insight into meaningful, outcome-based metrics because there is no for process selecting meaningful metrics	Develop a metrics framework to evaluate, prioritize, and operationalize metrics (Deliverable 3)
There is no standard OBM analysis and reporting system	Thoroughly assess current technology abilities to evaluate whether existing tools are sufficient to implement and maintain effective OBM analysis, reporting, and monitoring at different levels of the agency.
There is no documented plan for accomplishing the initiation and execution of an OBM system	Develop a roadmap to the integrated OBM system at DOR (Deliverable 3)

This space intentionally blank

Deliverable 2: Current State Assessment

Section 7: Appendices

7.1 Detailed Approach

In conducting the Current State Assessment, a three-phased methodology was used to provide both structure and sufficient flexibility to accommodate the environment and circumstances surrounding DOR. The methodology phases included Data Gathering, Gap Assessment and Opportunity Identification.

Additional contextual considerations were also considered. While the information was gathered through data collection the value and impact were such that it is beneficial to understand their context and impact separately. These context items include framing related to the Core System Replacement, Agency Change Fatigue, Key Audits, Budget Notes, Existing Metrics and Strategic Planning all of which are detailed more distinctly in section 7.1 (b).

7.1(a) Approach and Methodology

1. Collect Data

Data collection occurred through a series of inputs. These inputs range from review of existing documentation; to discussion with both leadership, participating employees, and legislative stakeholders; to research into metrics used by comparison state departments of revenue. Together, they provide the defining insights upon which the conclusions of the Current State Assessment rest. Figure 26 below (Approach to Developing Key Deliverables) provides a detailed overview of the inputs for the assessment, also relating these inputs to the outputs of this project.

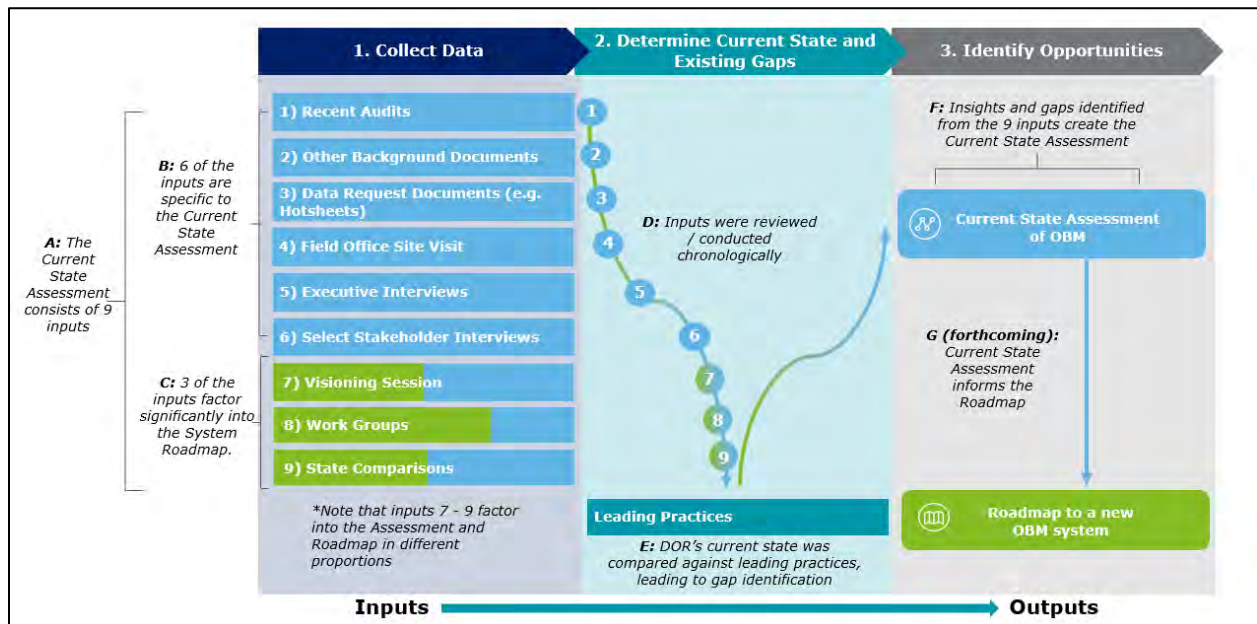


Figure 26 Approach to Developing Key Deliverables

Within the Collect Data phase, the team used information from nine distinct inputs. The following is a more detailed overview of the inputs used to evaluate DOR's readiness to develop an integrated OBM system. Note that the tables below correspond to the content under the "Collect Data" column in the Figure 26 above.

Deliverable 2: Current State Assessment

Table 19 Overview of Inputs

1) Recent Audits		
Components of this Input	Significance of this Input	Use of this Input
<p>Six recent DOR audits were reviewed for relevance to OBM implementation at DOR. The two most significant audits are the following:</p> <ol style="list-style-type: none"> 1) Secretary of State (SoS) DOR GenTax IT Controls Audit, Report 2018-08 2) DOR Internal Performance Management Audit, Report 2017-02 	<p>The audits provide important context for DOR's current state and provide insight into the agency's overall readiness to undertake the additional change required by OBM implementation.</p>	<p>The Recent Audits input informs the report comprehensively and is discussed throughout.</p>

2) Other Background Documents		
Components of this Input	Significance of this Input	Use of this Input
<p>The team undertook a detailed review of both documents that were provided by DOR and documents that were publicly available, including:</p> <ol style="list-style-type: none"> 1) DOR 2015 Strategic Plan 2) 2017 – 2021 Draft Strategic Framework (draft) 3) 2017 – 2021 Strategic Priorities, Goals and Outcomes (draft) 4) DOR Organizational Chart (July 2018) 5) Core System Replacement Project Closeout Report (July 2018) 6) RLT Charter (August 2018) 7) RLT Monthly Management Report (August 2018 and October 2018) 8) DOR Annual Performance Progress Report (2017 and 2018) 9) 2017 Regular Session Budget Report (DOR 2017-19) 	<p>Analysis of this input provides additional context to the organization's historical performance, the drivers of the current strategic planning process, and the many other contextual factors – such as audits and budget notes – that shape DOR's current state.</p>	<p>The Other Background Documents input informs the report comprehensively and is discussed throughout.</p>

Deliverable 2: Current State Assessment

3) Data Request Documents		
Components of this Input	Significance of this Input	Use of this Input
DOR submitted over 40 unique documents in response to the data request for this assessment. It was determined that 16 of these documents were reports focused on performance metrics, known as Hotsheets. These Hotsheets tracked a total of 164 different metrics.	The metrics were analyzed in depth, focusing on their alignment with the current draft strategic framework, and whether metrics had established targets, narrative explanations of performance, and action plans. Analysis of this input also reveals the degree to which DOR measures operational metrics (such as input, throughput, and output) versus strategic outcomes.	The Data Request Documents input factors significantly into the analysis of current metrics (Section 3.3.1 and Section 3.3.2).

4) Field Office Site Visit		
Components of this Input	Significance of this Input	Use of this Input
The team visited DOR's Portland field office, conducting: <ul style="list-style-type: none"> o One-on-one and small group discussion sessions with participating employees o Staff observation 	The visit provided important insights on the current use of performance metrics, policy implications and audit execution.	The Field Office Site Visit input is discussed within Section 3.2.

5) Executive Interviews		
Components of this Input	Significance of this Input	Use of this Input
Individual interviews were conducted with the following DOR leadership, including all members of the RLT: <ul style="list-style-type: none"> o Director o Deputy Director o Internal Audit o Property Tax Division o Financial Services Division o Research Section o Communication Section o Business Division (both current and incoming) o Collections Division (incoming) o IT Division o Personal Tax and Compliance Division 	The Executive interviews provided first-hand perspectives from leaders across DOR, ensuring that this assessment captures views across the agency. A full listing of the interview questions is available in the Appendix Section 7.2.	The Executive Interviews input largely informs Sections 4.1 and 4.2, although findings from these interviews are also discussed throughout.

Deliverable 2: Current State Assessment

5) Executive Interviews		
Components of this Input	Significance of this Input	Use of this Input
<ul style="list-style-type: none"> ○ HR Section ○ Legislative Affairs 		

6) Select Stakeholder Interviews		
Components of this Input	Significance of this Input	Use of this Input
<p>Interviews were conducted with the following additional stakeholders:</p> <ul style="list-style-type: none"> ○ DOR's Analyst from the Legislative Fiscal Office (LFO) ○ DOR's Analyst from the State Chief Financial Office (CFO) ○ Legislators – 3 (2 Senators and 1 house member) ○ Strategic Technology Officer, Department of Administrative Services ○ GenTax Support, DOR Information Technology ○ GenTax Production Support, FAST Enterprises ○ DOR's Policy advisors (former and current) 	<p>The Select Stakeholder Interviews provided first-hand perspectives from leaders external to DOR, ensuring that this assessment has a view of the agency that is representative of external stakeholders.</p>	<p>The Select Stakeholder Interviews input largely informs enterprise-wide readiness to implement OBM in Section 4.2, although findings from these interviews are also discussed throughout.</p>

7) Visioning Session		
Components of this Input	Significance of this Input	Use of this Input
<p>Facilitated 3-hours Visioning Lab was held with DOR leadership to identify and foster consensus on an initial list the agency Objectives to inform the employee Work Group activities. This vision should be refined as DOR continues work on their 2017-2021 strategic framework.</p>	<p>The Visioning Session provided an opportunity for DOR leaders to discuss Strategic Priorities and Core Business Outcomes, and Objectives aligned to the strategic framework.</p>	<p>The Visioning Session input is discussed in Section 3.2.</p>

Deliverable 2: Current State Assessment

8) Work Groups		
Components of this Input	Significance of this Input	Use of this Input
<p>A series of facilitated Work Sessions were conducted. There were 8 sessions with participating employees totaling 18 hours of interaction – five Working Groups of three hours each for Core Business and Cross Functional Groups, and 3 Working Sessions of one hour each for Support Services Groups.</p> <p>The Work Groups were organized into eight clusters, which represented:</p> <ul style="list-style-type: none"> • Core Business Groups: DOR divisions that perform self-contained, end-to-end functions (Property Tax, Non-Filer/Audit, Tax Policy/Research) • Cross Functional Groups: Groups within the agency that perform a similar service for different parts of the core business (Tax Collection, Tax Processing) • Support Services Group: These teams provide the necessary auxiliary resources and supplemental work to enable the core business and cross functional areas (Financial Services Division, Information Technology Services (ITS) Division and Human Resources Section) <p>In total, the Work Groups included over 65 unique participants (some participants attended multiple Work Sessions). A complete listing of participant titles and divisions is available in the Appendix Section 7.3.</p>	<p>The Work Groups were designed to foster consensus around the Drivers and Levers that support the OBM Objectives identified by DOR leadership. Broadly speaking, Drivers are the factors that influence the likelihood of achieving an objective. Levers are the activities that control the Drivers.</p> <p>Moreover, in conjunction with the Executive Interviews and Visioning Session, the Working Groups ensure that this assessment provides a view of perspectives related to OBM within DOR across divisions, functions, and organizational layers.</p>	<p>The Work Groups input is discussed in Section 3.2.</p>

Deliverable 2: Current State Assessment

9) State Comparisons		
Components of this Input	Significance of this Input	Use of this Input
<p>Performance metrics reported by nine comparison states were considered. Comparison states were selected into two groups – those geographically proximate to Oregon and those states that have similar tax administration characteristics. In selecting the comparison states, use of GenTax and population were factors for both groups. Annual tax revenues and tax types administered by the state’s Department of Revenue were also considered when selecting similar tax administration states. For this analysis, publicly available information was collected, and outreach to the states was conducted. The following are the states selected:</p> <p>Geographically proximate:</p> <ul style="list-style-type: none"> ○ Washington (GenTax) ○ Idaho (GenTax) ○ Nevada <p>Similar tax administration:</p> <ul style="list-style-type: none"> ○ Louisiana (GenTax) ○ South Carolina (GenTax) ○ Colorado (GenTax) ○ Wisconsin (GenTax) <p>Additional states responding to the data request:</p> <ul style="list-style-type: none"> ○ Pennsylvania (GenTax) ○ New York 	<p>Peer state comparisons provide additional perspective on metrics used by other state departments of revenue. DOR’s current metrics are also compared to illustrative performance indicators for tax administrations as compiled by the International Monetary Fund and leading measures from the Knowledgebase to provide insight into potential existing measurement gaps at the agency.</p>	<p>The State Comparisons input is discussed in section (Section 3.3.3).</p>

2. Determine Current State and Existing Gaps

Each of the nine inputs was analyzed / conducted / facilitated in a relatively chronological order throughout the assessment. Each of these inputs provided information that, when taken collectively, provided a comprehensive overview of DOR’s Current State of OBM. Specifically, the inputs inform the analysis surrounding DOR’s Strategic Planning Process (Section 3.1), Agency Alignment with Strategic Priorities and Core Business Outcomes (Section 3.2) and Assessment of Current Metrics (Section 3.3).

DOR’s current state was then evaluated on a division-by-division basis. Each of the nine DOR divisions / sections was compared against a recommended future target OBM maturity, factoring in the current state of People, Process, and Technology. DOR was then compared against 29 leading OBM practices that

Deliverable 2: Current State Assessment

Knowledgebase was developed based on industry and accumulated expertise from similar engagements. The resulting gap analysis provides a view of where DOR stands against recommended target maturity and readiness, both on a divisional level and an organization enterprise-wide level.

3. Identify Opportunities

With the current state and existing gaps documented, key opportunities to improve OBM practices in the future were identified. These key opportunities are listed at the outset of Section 3 and Section 4, and summarized in Section 5. Each key opportunity is framed in the context of the summarized observations that led to their identification. Finally, keeping the key opportunities in mind, conclusions and next steps were developed in Section 6. This section provides a high-level, forward looking discussion that summarizes the most significant enterprise-level observations and opportunities resulting from this assessment.

The key opportunities, conclusions, and next steps will factor significantly into the creation of the forthcoming OBM System Work Plan (Deliverable 3).

7.1(b) Significant Contextual Factors

In addition to the phases identified in the detailed Approach described above, there were several contextual factors considered, these factors are described in the detail below

Core System Replacement (CSR)

The replacement and modernization of the agency's core information system was the agency's primary focus from 2014 to 2017. DOR gradually implemented GenTax – a Commercial Off-The-Shelf (COTS) software product developed by FAST Enterprises – in four rollouts from 2014 to 2017:

- Rollout 1 (2014): Corporation and Tobacco Tax Programs
- Rollout 2 (2015): Personal, Transit, Self-Employment, Deferral, Estate, and 911 Programs
- Rollout 3 (2016): Withholding, Transit Payroll, OAA, Marijuana, and Small Programs
- Rollout 4 (2017): Remaining Programs

This system fundamentally changes work processes, data use and availability, as well as the relation of the work to the structure of the organization. Efforts to stabilize these factors and align them to take full advantage of GenTax's capabilities are ongoing and will help set the foundation from which to build a more rigorous OBM system.

Agency Change Fatigue

During this assessment, leaders and participating employees within DOR frequently cited the agency's current change fatigue. Change fatigue occurs when an organization is exposed to significant or long-lasting changes in its people, processes, or technologies. System implementation on the scale of GenTax requires ongoing and significant organizational change management efforts and, as such, transition to the new core system is a large reason for the current fatigue. Although DOR did conduct an Organizational Change Leadership program as part of the GenTax implementation, the July 2018 Core System Replacement Close Out report lists organizational change management as a key opportunity for improvement. The report cites insufficient resources dedicated to organizational change management after Rollout 2, and lack of sustained efforts after conclusion of the project. Interviewees validated that insufficient ongoing organizational change management continues to be a challenge in many parts of the agency. In particular, there is still a need for employees' roles and business processes to be updated and

Deliverable 2: Current State Assessment

more aligned to the structure of GenTax in order to optimize GenTax functionality in the execution of DOR's service delivery.

With some employees in a fatigued state, and considerable scrutiny from external stakeholders including multiple audits and budget notes, concerns over employee morale were raised during the 2017 legislative session. The Secretary of State's (SoS) Customer Service, Culture Audit, and Cyber Security report will be helpful in evaluating the level of change fatigue and morale at DOR, however, the initial findings are not available for consideration in this assessment. Results of this culture audit may provide additional information on DOR's readiness to implement an integrated OBM system.

DOR leadership understands the need for clarity on priorities and measures of progress toward achieving the established priorities, and therefore have a desire to advance the maturity of OBM. Given the level of change fatigue already present within the agency, leadership must set realistic expectations around additional change and include strategies in the OBM effort that help expand the agency's capacity to take on additional change.

Key Audits

DOR has recently undergone (or is still undergoing) six audits. These audits are both internal and external; operational and cultural. The audits include:

- Secretary of State (SoS) Service, Culture, and Cyber Security Audit (ongoing)
- SoS Audit of CSR Business Case/RFP
- SoS Audit titled "Oregon Department of Revenue: GenTax Accurately Processes Tax Returns and Payments, but Logical Access and Disaster Recovery Procedures Need Improvement, Report Number 2018-08, February 2018 (referred to within this report by the audit's short title: "DOR GenTax IT Controls")
- SoS Fiscal 2018 CAFR Audit
- DOR Internal Performance Management Audit
- A closely related audit focusing on DAS

Each audit provides insight into the status of the agency at the time the audit was conducted, and the orientation of the agency since the audit. These results are informative and provide context and a sense of progress, both of which are important as the current state is considered. The two audits most applicable to the OBM assessment are the Secretary of State Audit of DOR GenTax IT Controls (2/2018) and DOR Internal Performance Management (published 11/2016).

The February 2018 SoS DOR GenTax IT Controls audit report highlights state that "The Oregon Department of Revenue (DOR) designed and implemented controls in their GenTax system to provide reasonable assurance that tax return and payment information remains complete, accurate, and valid from input through processing and output." The audit also lists the following relevant key findings:

- "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."
- "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."

This audit was reviewed because concern was raised during interviews with internal and external stakeholder about the accuracy and reliability of data. The audit finding support the conclusion that there are sufficient internal controls to ensure effective processing of payments and tax returns, however, the audit scope did not extend to affirming that the current reporting structure was sufficient to ensure

Deliverable 2: Current State Assessment

effective performance data reporting. At the agency's request, the consulting team has provided a high-level characterization of the data and information management challenges the agency must address to move forward with implementation of an OBM system.

DOR's Internal Audit group published a report in November of 2016 on the performance management practices at DOR. The report cited three conclusions relevant to OBM:

- An “established predefined and documented performance management system and governing framework does not exist at Revenue. However, *elements* of such a system and framework do exist and are scattered about the agency.”
- “An internal performance management reporting tool does not exist at Revenue. The Hot Sheet is the closest such tool”
- “...performance metrics and corresponding benchmarks do not exist at revenue.”

DOR's Internal Audit also provided recommendations associated to these findings, including but not limited to the recommendation to “adopt a performance management system and governing framework that is ‘right sized’ for Revenue”, “create a common language of... performance management terminology”, “develop a reporting tool”, “create appropriate benchmarks”, and “evaluate... whether performance metrics align with strategic plans and desired outcomes”. Detailed review of the current state indicates that there is still considerable work to be done to meaningfully achieve the recommendations provided within the internal performance management audit.

Budget Notes

Including the Budget Note that sourced this project, there are nine budget notes that have required attention and action by DOR recently, according to RLT's most recent available Monthly Management Report (10/12/2018). Work on three of nine of the budget notes is on-going, including the Collections Feasibility Study, the Comprehensive External Audit, and this project, the Outcome-Based Management Assessment. The Collections Feasibility Study Budget Note required DOR to submit a feasibility study related to the establishment of a combined collections division. While the study is ongoing, DOR has taken steps to identify a leader for a combined collections division, and to broaden the use of private collection firms. The Comprehensive External Audit (conducted by Moss Adams), will generate findings that build on other reviews to support advancement of ongoing improvement efforts. The results of both Budget Notes will be potentially relevant to OBM implementation.

The following Budget Note reports have been recently completed:

- State Accounting and Budget Review
- Review of Personnel Practices and Legislatively Authorized Positions
- Re-Initiating the Process Center Modernization Project
- Improving Delivery of Taxpayer Assistance
- 2018 Tax Season Readiness Report
- Core System Replacement Project Reporting

While a Budget Note is considered completed when the associated report has been issued and accepted by the Legislature, this does not mean that all the resulting agreed upon action plans have necessarily been implemented. To the extent that the action plans seek to address agency outcomes and objectives, the measures of progress resulting from the action plans should be considered for inclusion in the OBM system.

Deliverable 2: Current State Assessment

Existing Key Performance Measures

DOR tracks and reports publicly each year on 11 key performance measures (KPMs). These KPMs are approved by the Legislature as part of the agency budget request. The agency can propose modification of the KPMs and associated targets. In the absence of a DOR proposal, targets are set by the Legislature, as occurred for 2018. DOR is currently working to propose improvements to several KPMs to increase alignment with strategic objectives, establish realistic targets based on industry standards, and ensure year over year consistency in the methodology and data sources used to calculate results.

The 2018 progress report showed mixed progress across the different metrics. DOR missed targets on several KPMs related to customer service, average days to process personal income tax refunds, and employee engagement. DOR successfully met targets for enforcement and e-filing.

Important to this assessment is an understanding of the relationship and alignment of the KPMs to the strategic outcomes and priorities of DOR. As this assessment shows in Section 3, many of the metrics tracked by DOR's internal reports (i.e. Hotsheets) and the KPMs do not currently align well to the strategic framework. This disconnect should be taken into consideration as future OBM metrics are identified.

Strategic Planning

DOR's most recently completed strategic plan dates from August of 2015. During this assessment, DOR continued drafting a "Strategic Framework and Priorities" document. This document, which is in draft status as of the time of this writing, outlined a proposed strategic framework for DOR consisting of specific Strategic Priorities and Core Business Outcomes. The document seeks to guide DOR's transformation toward improved performance, and as such it is referenced repeatedly in this assessment, particularly as it relates to DOR's current use of OBM. This assessment also uses this framework to assess alignment between what is measured on DOR Hotsheets and the agency's stated Strategic Priorities and Core Business Outcomes.

This space intentionally blank

Deliverable 2: Current State Assessment

7.2 List of Interview Questions used with RLT Members, Internal Audit, and Legislative Affairs

Table 20 Interview Questions

Interview Area	#	Interview Question
Perspective on Outcome-Based Management	1	What does Outcome-Based Management mean to you?
	2	What are the 3 most important outcomes to you in your role (what constitutes success)?
	3	What are the 3 largest barriers you see to the adoption of Outcome-Based Management?
Current Performance Management Activities	4	What three performance management activities that you do today are most supportive of the success of the agency?
	5	What three activities would you add to further support success?
Information	6	How well does current reporting enable quick decision making and immediate adjustments to your business?
	7	To what degree is the performance data you rely on consistent, accurate and accessible?
	8	What do you want to know that you do not know today to support the outcomes you listed above?
	9	Does your business unit have or use defined performance management roles, responsibilities, and accountability for adjustments to your business?
Process	10	Do you develop performance measures and targets? If so, do you prioritize those against other measures (which ones)?
	11	Do you develop, implement and monitor action plans? How mature are your accountability processes?
	12	Which current performance metrics do you see as aligned with agency Strategic Priorities? Which do you see as not well aligned?
	13	What changes within the organization will be needed to shift toward a culture of Outcome-Based Management?
Wrap-Up	14	What degree of ownership do you feel you have for performance management at DOR? (<i>Leader/Sponsor, Active Contributor, Participant</i>). Is it sufficient ownership?
	15	What else did you expect us to ask you about that we did not?
Supplemental Questions for Internal Audit	16	What do you believe is behind the high number of audits and budget notes the agency is subject to?
	17	What do expect the major themes will be related to the current customer service and culture audit?
	18	What role do you see Internal Audit playing in moving toward Outcome-Based Management?
	19	Where has the agency shown leadership since the 2017-02 performance management audit, and where has it lagged?

Deliverable 2: Current State Assessment

7.3 List of Work Group Participants

Table 21 Work Group Participants

PROPERTY TAX	
Participants	Division/Section
Executive Assistant, Property Tax Division	PROPERTY TAX
Section Manager, Property Tax Support, Assistance & Oversight	PROPERTY TAX
Section Manager, Valuation, Property Tax Division	PROPERTY TAX
Manager, Industrial, Property Tax Division	PROPERTY TAX
Manager, Central Assessment, Property Tax Division	PROPERTY TAX
Appraiser Analyst 4, Property Tax Division	PROPERTY TAX
Appraiser Analyst 3, Property Tax Division	PROPERTY TAX
Appraiser Analyst 4, Property Tax Division	PROPERTY TAX
Operations and Policy Analyst 3, Property Tax Division	PROPERTY TAX
Administrative Specialist 2, Property Tax Division	PROPERTY TAX
Manager, Property Tax Support, Assistance & Oversight	PROPERTY TAX
Appraiser Analyst 3, Property Tax Division	PROPERTY TAX
Appraiser Analyst 3, Property Tax Division	PROPERTY TAX

TAX POLICY / RESEARCH	
Participants	Division/Section
Policy Manager, Program Service	POLICY
Legislative Coordinator	POLICY
Legislative Liaison	POLICY
Operations and Policy Analyst 3, Program Service Section	POLICY
Economist 4, Research Unit	RESEARCH
Economist 4, Research Unit	RESEARCH
Economist 4, Research Unit	RESEARCH
Operations and Policy Analyst 3, Withholding and Payroll Section	WITHOLDING/POLICY
Operations and Policy Analyst 3, Special Programs Administration	WITHOLDING/POLICY
Communications Manager	COMMUNICATIONS
Operations and Policy Analyst 3, Property Tax Division	PROPERTY TAX

NON-FILER AND AUDIT	
Participants	Division/Section
Senior Tax Auditor, Corporation Section	CORPORATION
Manager, Policy, Appeals & Nexus, Corporation and Estate Section	CORPORATION
Operations and Policy Analyst 3, Corporation and Estate Section	CORPORATION
Senior Tax Auditor, Compliance Section	PERSONAL TAX AND COMPLIANCE

Deliverable 2: Current State Assessment

NON-FILER AND AUDIT	
Participants	Division/Section
Operations and Policy Analyst 3, Compliance Section	PERSONAL TAX AND COMPLIANCE
Section Manager, Program Service Division	PERSONAL TAX AND COMPLIANCE
Section Manager, Personal Income Tax and Compliance Section	PERSONAL TAX AND COMPLIANCE
Manager	SPECIAL PROGRAMS ADMINISTRATION
Section Manager, Withholding and Payroll Section	WITHOLDING/MARIJUANA
Operations and Policy Analyst 3, Withholding and Payroll Section	WITHOLDING/MARIJUANA
Section Manager, Property Tax Support, Assistance & Oversight	PROPERTY TAX
Manager, Industrial, Property Tax Division	PROPERTY TAX
Manager, Central Assessment, Property Tax Division	PROPERTY TAX

TAX PROCESSING	
Participants	Division/Section
Manager, Audit, Systems and Support	CORPORATION
Section Manager	PROCESSING CENTER
Manager, Payment Processing	PROCESSING CENTER
Operations and Policy Analyst 2	PROCESSING CENTER
Manager, Appeals, Discovery & Processing, Program Service Section	PERSONAL TAX AND COMPLIANCE
Operations and Policy Analyst 3, Systems Unit, Program Service Section	PERSONAL TAX AND COMPLIANCE
Section Manager, Systems, Program Service Section	PERSONAL TAX AND COMPLIANCE
Manager	SPECIAL PROGRAMS ADMINISTRATION
Section Manager	WITHOLDING/MARIJUANA
Manager, Special Programs, Property Tax Division	PROPERTY TAX

TAX COLLECTIONS	
Participants	Division/Section
Manager, Other Agency Accounts 5, Business Special Programs Section	SPECIAL PROGRAMS ADMINISTRATION
Section Manager, Business Special Programs Section	SPECIAL PROGRAMS ADMINISTRATION
Manager, Other Agency Accounts 4, Business Special Programs Section	SPECIAL PROGRAMS ADMINISTRATION
Section Manager, Withholding and Payroll Section	WITHOLDING/MARIJUANA
Operations and Policy Analyst 2, Withholding and Payroll Section	WITHOLDING/MARIJUANA
Operations and Policy Analyst 2, Property Tax Division	PROPERTY TAX
Section Manager, Collections Section, Personal Income Tax and Compliance Division	PERSONAL TAX AND COMPLIANCE
Manager, Collections Operations Manager, Collections Section	PERSONAL TAX AND COMPLIANCE

Deliverable 2: Current State Assessment

TAX COLLECTIONS	
Participants	Division/Section
Manager, Bankruptcy/CAP, Collections Section	PERSONAL TAX AND COMPLIANCE
Revenue Agent 3, Collections Section	PERSONAL TAX AND COMPLIANCE
Operations and Policy Analyst 3	PROPERTY TAX

INFORMATION TECHNOLOGY	
Participants	Division/Section
Information Systems Specialist 8	INFORMATION TECHNOLOGY SERVICES
Information Systems Specialist 8	INFORMATION TECHNOLOGY SERVICES
Section Manager, Program Management Team	INFORMATION TECHNOLOGY SERVICES
Manager, Support Services Manager	INFORMATION TECHNOLOGY SERVICES
Manager, GenTax Support Services	INFORMATION TECHNOLOGY SERVICES
Manager, Engineering Services	INFORMATION TECHNOLOGY SERVICES

FINANCIAL SERVICES	
Participants	Division/Section
Manager, Accounting Team	FINANCIAL SERVICES
Accountant 4	FINANCIAL SERVICES
Manager, Purchasing Team	FINANCIAL SERVICES
Procurement and Contract Specialist 3	FINANCIAL SERVICES
Manager, Budget & Finance	FINANCIAL SERVICES
Accountant 4	FINANCIAL SERVICES

HUMAN RESOURCES	
Participants	Division/Section
Manager, Disclosure Office/Program Management/Special Services, Human Resources Section	HUMAN RESOURCES
Compliance Specialist 3, Disclosure Office	HUMAN RESOURCES
Human Resources Analyst 3	HUMAN RESOURCES
Human Resources Analyst 2	HUMAN RESOURCES

Deliverable 2: Current State Assessment

7.4 Objective Selection and Alignment by Work Group Participants

The following three tables show each of the Work Group categories in turn, detailing the alignment of the Objectives chosen by each functional group to the current Core Business Outcomes. These detailed tables point to significant variety in the distribution of alignment of the Objectives selected by different Work Groups. This may provide DOR with an understanding of the priorities of each of the represented functional areas as the leadership team refines and finalizes its work in developing the strategic framework.

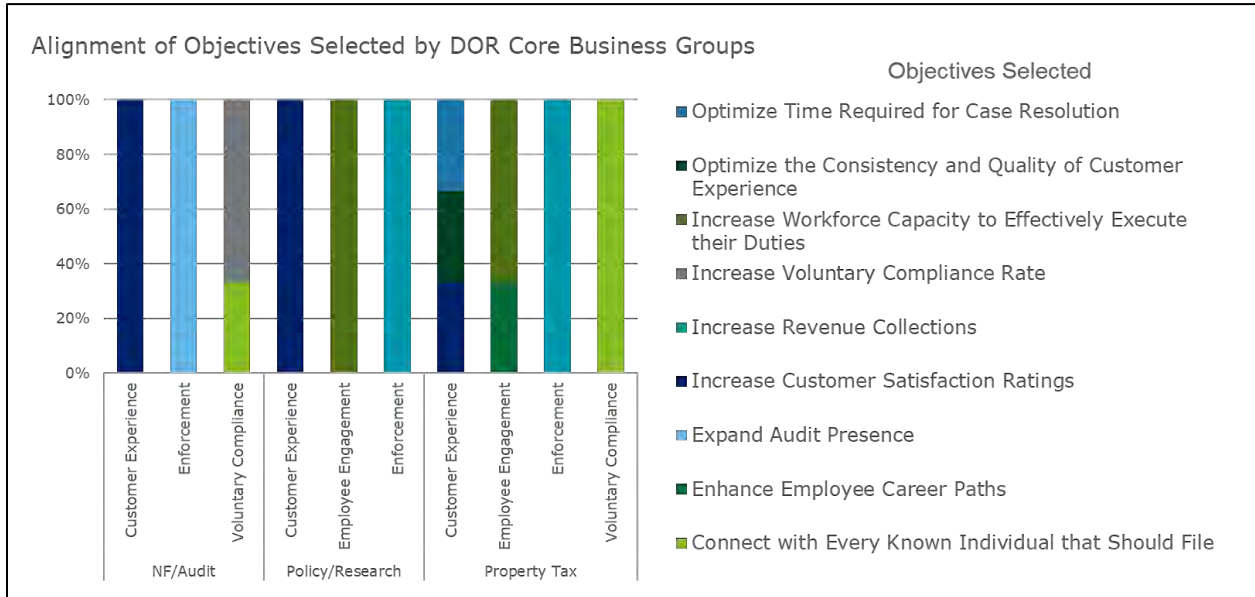


Figure 27 Alignment of Objectives Selected by DOR Core Business Working Groups

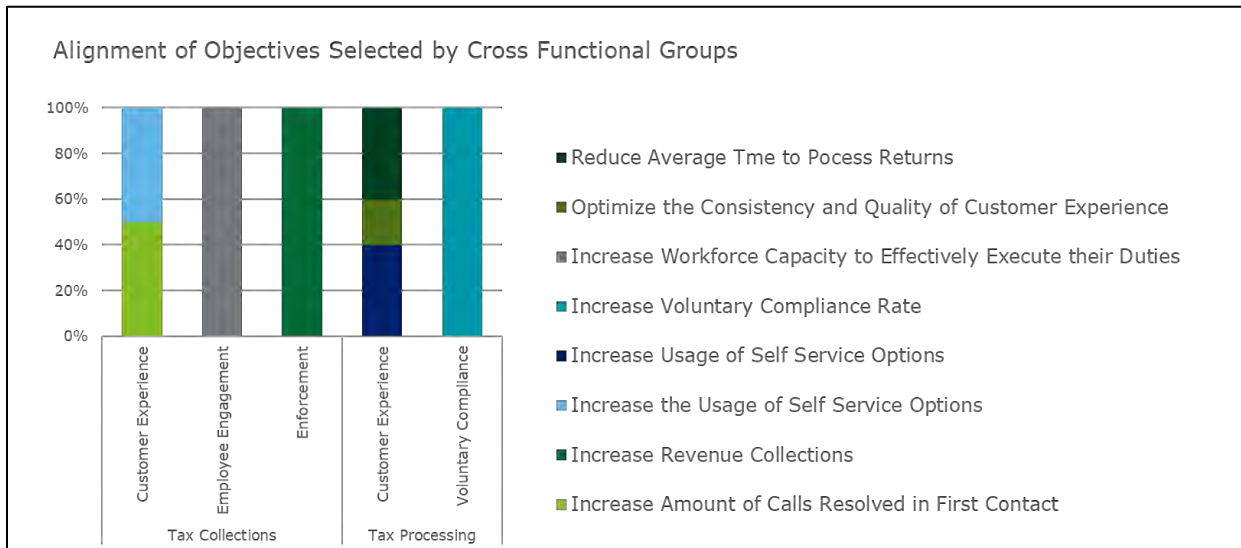


Figure 28 Alignment of Objectives Selected by Cross Functional Working Groups

Deliverable 2: Current State Assessment

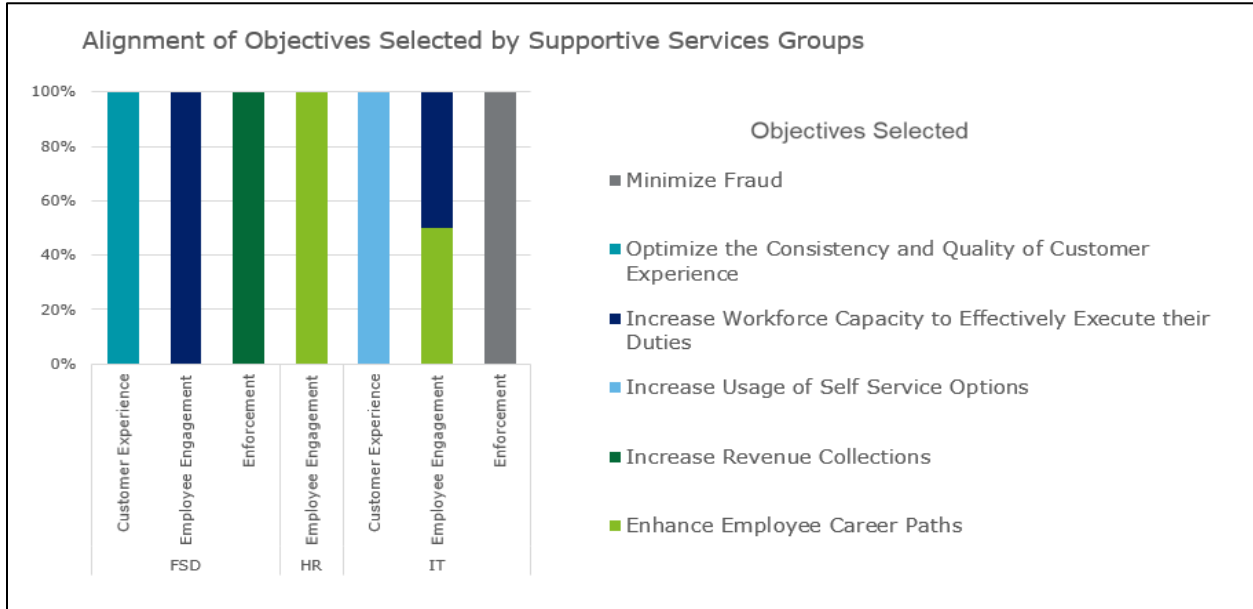


Figure 29 Alignment of Objectives Selected by Support Service Groups

This space intentionally blank.

Deliverable 2: Current State Assessment

7.5 Detailed Peer State Comparison Tables

Table 22 Peer State Comparison, Overview Information, Part 1

	Oregon	Washington	Idaho	Nevada
GenTax	Yes	Yes	Yes	No
Population (2016)	4,142,776	7,288,000	1,683,140	2,940,058
Total State Tax Collections (FY 2016-17)	\$11,914,567,000	\$23,997,592,000	\$4,511,208,000	\$8,624,618,000
Tax Types	<ul style="list-style-type: none"> •Individual income •Corporation excise •Withholding and payroll •Cigarette and other tobacco •Marijuana •Estate •Emergency communications tax (E911) •State lodging •Hazardous substance fee •Amusement device •Petroleum load fee •Forest products harvest •Small-tract forestland severance •Transit 	<ul style="list-style-type: none"> •Retail sales/use - 46.3% •Selective Sales - 13.7% •Business and Occupation - 17.4% •Property and Utility -14.3% •All other State - 8.4% 	<ul style="list-style-type: none"> •Property - 31.3% •Personal income - 29.0% •Sales - 28.6% •Motor fuels - 5.8% •Corporate income - 3.8% 	<ul style="list-style-type: none"> •Sales and Use - 68.8% •Modified Business - 9.1% •Insurance premium - 5.5% •Cigarette and tobacco - 3.2% •Remaining taxes - 7.5%
Return Volume - Individual	2,040,738	Not in Annual Report	Not in Annual Report	Not in Annual Report
Return Volume - Corporate	93,562	Not in Annual Report	Not in Annual Report	Not in Annual Report
FTEs	~1,000	Not in Annual Report	Not in Annual Report	380

Deliverable 2: Current State Assessment

Table 23 Peer State Comparison, Overview Information, Part 2

	Oregon	Colorado	South Carolina	Louisiana
GenTax	Yes	Yes	Yes	Yes
Population (2016)	4,142,776	5,540,545	4,961,119	4,681,666
Total State Tax Collections (FY 2016-17)	\$11,914,567,000	\$13,197,606,000	\$9,828,825,000	\$11,104,720,000
Tax Types	<ul style="list-style-type: none"> •Individual income •Corporation excise •Withholding and payroll •Cigarette and other tobacco •Marijuana •Estate •Emergency communications tax (E911) •State lodging •Hazardous substance fee •Amusement device •Petroleum load fee •Forest products harvest •Small-tract forestland severance •Transit 	<ul style="list-style-type: none"> •Personal Income •Sales and Use •Alcohol and Fermented Malt Beverages •Gaming •Pari-mutuel Racing •Marijuana •Cigarette and Tobacco Products •Severance •Mileage •Driver Licenses and Motor Vehicle 	<ul style="list-style-type: none"> •Personal income •Corporate income •Sales and use •Local option sales and use •Accommodations •Admissions •Property •Alcoholic beverage and license •Tobacco 	<ul style="list-style-type: none"> •Personal Income (includes Fiduciary) - 33.6% •Sales - 44.4% •Severance - 4.3% •Corporation Franchise - 1.0% •Corporation Income - 3.1% •Petroleum Products - 7.3% •Liquor/Alcohol - 0.8% •Tobacco - 3.5% •Other - 1.7%
Return Volume - Individual	2,040,738	2,574,037	2,237,717	Not in Annual Report
Return Volume - Corporate	93,562	20,469	Not in Annual Report	Not in Annual Report
FTEs	~1,000	Not in Annual Report	Not in Annual Report	Not in Annual Report

Deliverable 2: Current State Assessment

Table 24 Peer State Comparison, Overview Information, Part 3

	Oregon	Pennsylvania	Wisconsin	New York
GenTax	Yes	Yes	Yes	No
Population (2016)	4,142,776	12,790,000	5,773,000	19,697,467
Total State Tax Collections (FY 2016-17)	\$11,914,567,000	\$37,394,589,000	\$15,517,585,000	\$71,627,564,652
Tax Types	<ul style="list-style-type: none"> •Individual income •Corporation excise •Withholding and payroll •Cigarette and other tobacco •Marijuana •Estate •Emergency communications tax (E911) •State lodging •Hazardous substance fee •Amusement device •Petroleum load fee •Forest products harvest •Small-tract forestland severance •Transit 	<ul style="list-style-type: none"> •Personal Income •Inheritance and Estate •Realty transfer •Sales, use and hotel •Corporate net income •Excise •Financial institutions 	<ul style="list-style-type: none"> •Personal income •Sales and Use •Corporate •Excise 	<ul style="list-style-type: none"> •Personal Income - 66.7% •Business - 8.5% •Sales, Excise, and Use - 21.4% •Property Transfer - 3.1% •Other - 0.2%
Return Volume - Individual	2,040,738	Not in Annual Report	Not in Annual Report	Not in Annual Report
Return Volume - Corporate	93,562	Not in Annual Report	Not in Annual Report	Not in Annual Report
FTEs	~1,000	Not in Annual Report	Not in Annual Report	Not in Annual Report

Deliverable 2: Current State Assessment

Table 25 Peer State Comparison Against Illustrative Performance Indicators and Knowledgebase

		Tax Administration Function	
		Registration and Filing Compliance	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Number of new registrants •Number of non-filers by tax type 	
	Timeliness / Quality	<ul style="list-style-type: none"> •Average time to complete new registration •Average time to resolve non-filer case •Late penalties assessed •Accuracy of taxpayer register 	
Knowledgebase examples		<ul style="list-style-type: none"> • “Multiple Touches” •Account Maintenance Exceptions •Call Length •Call Types 	<ul style="list-style-type: none"> •Correspondence Effectiveness (by type) •Exception Type •Registration Exceptions •Registration Timeline (by Tax Type) •Risk Score Accuracy
Oregon		Not in DOR's Annual Performance Progress Report	
Washington		Annual Report: <ul style="list-style-type: none"> •Number of New Taxpayer Accounts by County and Industry •Number of New Taxpayer Accounts by Industry 	
Idaho*		Annual Report: <ul style="list-style-type: none"> •Percent of gross revenues collected not submitted voluntarily and on time 	No response to data request
Nevada		Not in Annual Report	
Colorado*		Not in Annual Report No response to data request	
South Carolina		Not in Annual Report	
Louisiana		Not in Annual Report	
Pennsylvania*		Data request response: <ul style="list-style-type: none"> •Average Turnaround to Review Suspension work items (registration) 	
Wisconsin*		No response to data request	
New York*		Data request response: <ul style="list-style-type: none"> •Sales Tax Processing - Number of new registrations, fiscal year-to-date 	

Deliverable 2: Current State Assessment

		Tax Administration Function	
		Customer Service	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Total Number of taxpayers assisted by channel •Written correspondence (paper and electronic) •Internet site hits •Number of advisory visits •Number of educational seminars 	
	Timeliness / Quality	<ul style="list-style-type: none"> •Average taxpayer wait time for service •Average time to respond to written taxpayer requests •Accuracy of responses provided •Utility of visits and seminars (determined by surveys) 	
Knowledgebase examples		<ul style="list-style-type: none"> •Call closures by type •Calls by type •First call resolutions •Misclassified or misdirected 	<ul style="list-style-type: none"> •Multiple touch points •Repeat callers by type •Total repeat callers •Payment with login
Oregon		Annual Report: <ul style="list-style-type: none"> •Average Days to Process Personal Income Tax Refund •Percent of “good” or “excellent” customers ratings •Effective Taxpayer Assistance 	
Washington		Not in Annual Report	
Idaho*		Annual Report <ul style="list-style-type: none"> •Update 75% of current outreach materials (Y/N) •Increase number of attendees at outreach events by 25% (Y/N) Data request response: <ul style="list-style-type: none"> •TPS call/tax rep volume and question types •Public/tax pro outreach opportunities •Website hits •Time on webpage •Total calls/contacts Via dialer and Direct In/Outbound 	
Nevada		Not in Annual Report	
Colorado*		Annual report: <ul style="list-style-type: none"> • [Call center] Wait Time • [Call center] Average Transaction Time • [Call center] Average Total Time 	Data request response: <ul style="list-style-type: none"> •Classes offered •Total class participants •Participant reviews of classes
South Carolina		Not in Annual Report	
Louisiana		Not in Annual Report	
Pennsylvania*		Data request response: <ul style="list-style-type: none"> •Effectiveness of Online Customer Self-Service Knowledge Base •Average Wait Time TSIC (Budget Book) •Average Response Time - Email - # of days 	
Wisconsin*		No response to data request	
New York*		Data request response: <ul style="list-style-type: none"> •Processing & Taxpayer Services - Answer 85% of all Taxpayer Contact Center telephone inquiries within an average of 5 minutes. **(Strategic metric for FY 2018-19. Through Sept. 2018, 51.8% were answered within 5 minutes) 	

Deliverable 2: Current State Assessment

	Tax Administration Function
	Customer Service
	<ul style="list-style-type: none"> •Processing & Taxpayer Services - Resolve 85% of written PIT inquiries (including Liability Resolutions) within 90 days. ** (Strategic metric for FY 2018-19) •Processing & Taxpayer Services - Resolve 85% of written Business inquiries (including Liability Resolutions) within 90 days. **(Strategic metric for FY 2018-19) •Office of Tax Policy Analysis - Issue all tax forms and instructions on time with 100% accuracy. **(Strategic metric for FY 2018-19) •Office of Counsel - Issue 80% of Advisory Opinions within the statutorily required time limits. (Strategic metric for FY 2018-19) •Processing & Taxpayer Services - Increase penetration of IT-201 and IT-203 (PIT primary returns) electronically filed to 90% of all PIT primary returns. (Strategic metric for FY 2018-19) •Processing & Taxpayer Services - Increase penetration of Sales Tax returns electronically filed to 91% of all Sales Tax returns. (Strategic metric for FY 2018-19) •Processing & Taxpayer Services - Increase penetration of NYS-45 and NYS-45 upload filed to 94% of those filed (these are electronic filings of Withholding Taxes). (Strategic metric for FY 2018-19) •Processing & Taxpayer Services - Increase penetration of Corporation Tax returns electronically filed to 90% of Corporation Tax returns filed. (Strategic metric for FY 2018-19)

This space intentionally blank

Deliverable 2: Current State Assessment

		Tax Administration Function	
		Return Processing and Payment	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Number of returns processed, by tax type •Number of refunds issued, by tax type •Percentage of returns filed electronically 	<ul style="list-style-type: none"> •Percentage of returns filed by paper •Number of payments processed (manually and electronic) •Total value of payments processed
	Timeliness / Quality	<ul style="list-style-type: none"> •Average processing time •Average number of days to issue a refund 	<ul style="list-style-type: none"> •Return processing accuracy/error rate •Payment processing accuracy / error rate
Knowledgebase examples		<ul style="list-style-type: none"> •Average Time to Issue Bill (by Tax Type) •Average Time to Issue Refund (by Tax Type) •Flagged Return Correction Time •Flagged Return Financial Impact •Flagged Return Review Time 	<ul style="list-style-type: none"> •Flagged Returns (by Reason Code) •Age of suspended payments •Number of suspended payments •Time to resolve suspense items •Value of suspended payments
Oregon		Annual Report: <ul style="list-style-type: none"> •Percent of Personal Income Tax Filed Electronically •Percent of Personal Income Tax filed electronically •Percent of Personal Income Tax Returns filed by paper 	Additional Annual Report: <ul style="list-style-type: none"> •Number of Personal Income Tax Returns by County and by month •Income Tax Returns by Filing Status and Form Type •Total Taxable Income
Washington		Not in Annual Report	
Idaho*		Not in Annual Report	Data request response: <ul style="list-style-type: none"> •Return counts •Edit (error) rates •Task by time
Nevada		Not in Annual Report	
Colorado*		Annual Report <ul style="list-style-type: none"> •Paper vs. Electronic Sales Tax Returns •Refunds Issued 	Data request response: <ul style="list-style-type: none"> •Total returns processed •Refunds issued
South Carolina		Annual Report: <ul style="list-style-type: none"> •Individual Income Tax Returns by Filing Status 	
Louisiana		Annual Report: <ul style="list-style-type: none"> •Summary of Tax Collections & Refunds 	
Pennsylvania*		Data request response: <ul style="list-style-type: none"> •% of Payments Applied to Account Upon Receipt/Processing •Average Turnaround Time for Payment Clarification •% of PTRR Claims Received by 6/1, Paid by 7/1 	Additional Data request response: <ul style="list-style-type: none"> •% of Refunds Paid by Required Timeframe •% of Returns Processed as Filed •Average Turnaround to Review Suspended Returns
Wisconsin*			Data request response: <ul style="list-style-type: none"> •Fraud Analyst Reviews: Actions per hour
New York*			Data request response: <ul style="list-style-type: none"> •Personal Income Tax Processing - Number of all returns processed (electronically & paper) •Personal Income Tax Processing - Return and coupon payments collected •Corporation Tax Processing - Returns Processed by form type and in total •Corporation Tax Processing - Payments received - reported monthly •Sales Tax Processing - Returns processed (electronically and paper)

Deliverable 2: Current State Assessment

		•Sales Tax Processing - Payments received
--	--	---

		Tax Administration Function	
		Accounts Receivable	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Total value of arrears collected •Total number of collection cases closed •Total number of taxpayers contacted 	<ul style="list-style-type: none"> •Total resources (person years) assigned •Average annual collection per person year
	Timeliness / Quality	<ul style="list-style-type: none"> •Average age of collection cases •Percentage of cases resolved within X months •Collection case quality (based on specific scoring tools) 	
Knowledgebase examples		<ul style="list-style-type: none"> •Average payment plan duration •Collectability by tax type •Entities with outstanding liabilities •Number of payment plans 	<ul style="list-style-type: none"> •Outcomes by outcome type •Payment plan source •ROI by enforcement activity •TPCA performance
Oregon		Annual Report: <ul style="list-style-type: none"> •Direct Enforcement Dollars Cost of Funds •Collection Dollars Cost of Funds 	
Washington		Not in Annual Report	
Idaho*		Not in Annual Report	Data request response: For week ending and Fiscal year-to-date: <ul style="list-style-type: none"> •Weekly average collection balance •Average collection cases created daily •Average count of collections •Average cases closed daily •Average open collection cases •Collection cases created •Collection cases closed •Recovery amount
Nevada		Not in Annual Report	
Colorado*		Annual report: <ul style="list-style-type: none"> •Number of Cases per Year per Type 	Data request response: <ul style="list-style-type: none"> •Monies collected in each billing stage (voluntary, 1st bill, 2nd notice, enforced collection) •Dollars collected •Payment arrangements created •Liens filed
South Carolina		Not in Annual Report	
Louisiana		Not in Annual Report	
Pennsylvania*		No response to data request	
Wisconsin*		Data request response: <ul style="list-style-type: none"> •Quantity measure: Interactions with a customer/account per hour •Quality measure: Phone quality 	Additional Data request response: <ul style="list-style-type: none"> •Quality measure: Account review •Quality measure: Written correspondence
New York*		Data request response: <ul style="list-style-type: none"> •Percentage of plans collected (Audit & Civil Enforcement Division) 	

Deliverable 2: Current State Assessment

	<ul style="list-style-type: none"> •Audit - Meet or exceed cash collections projection for state share billings from all sources (Strategic metric for FY 2018-19) •Civil Enforcement Division will collect 100% of fiscal year goal. (Strategic metric for FY 2018-19)
--	---

		Tax Administration Function	
		Audit	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Number of audits completed by tax type (and by taxpayer segment where applicable) •Additional tax assessed by audit, by tax type •Total resources (person years) assigned •Additional tax assessed per person year 	<ul style="list-style-type: none"> •Total resources (person years) assigned •Additional tax assessed per person year •Number of investigations completed •Number of investigations completed
	Timeliness / Quality	<ul style="list-style-type: none"> •Average time to complete audit by type of audit •Audit quality (based on specific scoring tools) •Average time to complete an investigation 	
Knowledgebase examples		<ul style="list-style-type: none"> •Audit Timeliness •Caseworker Efficiency •Days to Assign a Case •Non-Filer Response Rate 	<ul style="list-style-type: none"> •Open Cases •Outcome Follow-through •Recidivism
Oregon		Annual Report: <ul style="list-style-type: none"> •Cost of Assessments 	
Washington		Not in Annual Report	
Idaho*		Annual Report: <ul style="list-style-type: none"> •Audit [of taxes collected] •Dollars saved from going to fraudsters •Confirmed fraudulent returns caught by Tax Commission •Idaho identity theft cases reported to Tax Commission 	Data request response: <ul style="list-style-type: none"> •Cases completed by Results Code
Nevada		Annual Report: <ul style="list-style-type: none"> •Number of Audits •Net Collections from Audit Billings •Audit Coverage •Audit Revenue Fees Collected •Audit Expenditures 	
Colorado*		Not in Annual Report	Data request response: <ul style="list-style-type: none"> •Audits completed •Total dollars adjusted through audit
South Carolina		Not in Annual Report	
Louisiana		Not in Annual Report	
Pennsylvania*		Data request response: <ul style="list-style-type: none"> •Budgeted Audits 	
Wisconsin*		Data request response: <ul style="list-style-type: none"> •Legislative revenue goals •Audit cycle time - aggregate results reported externally •Audit cycle time - internal measures as leading indicators •Post-audit surveys 	

Deliverable 2: Current State Assessment

	Tax Administration Function
	Audit
New York*	<p>Data request response:</p> <ul style="list-style-type: none"> •Audit - 80% of employee assigned Income cases completed/closed within 6 months. (Operational metric for FY 2018-19) •Audit - 70% or more of total Income audit cases resulting in an audit adjustment (Operational metric for FY 2018-19) •Audit - Total number of Audit Income cases resulting in a protest is 10% or less of total Audit cases. (Operational metric for FY 2018-19) •Audit - 80% of informal Income protests resolved within 90 days of creation (Operational metric for FY 2018-19) •Criminal Investigations Division - 90% of allegations should convert into investigations (or closed) within 90 days. (Strategic metric for FY 2018-19) •Criminal Investigations Division - 90% of investigations should be referred for prosecution or closed within 24 months. (Strategic metric for FY 2018-19)

This space intentionally blank.

Deliverable 2: Current State Assessment

		Tax Administration Function	
		Appeals	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Total number of appeals cases closed •Total resources (person years) assigned •Value of adjustments on appeal •Number of cases heard by courts 	
	Timeliness / Quality	<ul style="list-style-type: none"> •Average length of appeals case •Appeals case quality (based on specific scoring tools) •Degree to which legal deadlines are met 	
Knowledgebase examples		<ul style="list-style-type: none"> •Activity Duration •Execution Duration •Expected Duration vs Actual Duration •False Positive Rate 	<ul style="list-style-type: none"> •Number of Protests / Agency •Protest Results •Protest Settlement
Oregon		Not in DOR's Annual Performance Progress Report	
Washington		Not in Annual Report	
Idaho*		Data request response: <ul style="list-style-type: none"> •Averages age of cases in inventory •Percentage of closed cases held in inventory over 2 years 	
Nevada		Not in Annual Report	
Colorado*		Not in Annual Report	Data request response: <ul style="list-style-type: none"> •All "Requests for Formal Hearing" (timely protested Notices of Deficiency or Refund Denial) referred to the Tax Conferee Section •Date case received and case assigned •Date case assigned and Case Stage •Dollar amount of Protest and final resolution amount
South Carolina		Annual Report: <ul style="list-style-type: none"> •Returns Amended by Filing Status 	
Louisiana		Annual Report: <ul style="list-style-type: none"> •Cash Collections After Accrual Adjustments 	
Pennsylvania*		Data request response: <ul style="list-style-type: none"> •Average Turnaround Time to Post BOA/BFR Decisions (Taxation) 	
Wisconsin*		Data request response: <ul style="list-style-type: none"> •Number of completed appeals •% of appeals gone to next level Appeal cycle time 	Additional Data request response: <ul style="list-style-type: none"> •% office audit appeals resolved in 6 months •% of district field audit appeals resolved in 14 months •% of large case field audit appeals resolved in 25 months
New York*		Data request response: <ul style="list-style-type: none"> •Bureau of Conciliation & Mediation Services (BCMS) - Schedule 90% of BCMS cases for conference within 99 days of availability. (Strategic metric for FY 2018-19) •Bureau of Conciliation & Mediation Services - Issue 85% of decisions within three months of conference date. (Strategic metric for FY 2018-19) 	

Deliverable 2: Current State Assessment

		Tax Administration Function
		Revenue Accounting and Disbursements
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	Not available
	Timeliness and Quality	Not available
Knowledgebase examples		<ul style="list-style-type: none"> •Discrepancies •Forecast v. Actual •Imbalance by Type •Successful Bank Reconciliation Percentage
Oregon		Not in DOR's Annual Performance Progress Report
Washington		Not in Annual Report
Idaho*		Annual Report: <ul style="list-style-type: none"> •Distribution of revenues [by fund and fiscal year]
Nevada		Annual Report: <ul style="list-style-type: none"> •Total Department Revenues and Distributions [by tax type]
Colorado*		Annual Report: <ul style="list-style-type: none"> •Net Collections [by tax type]
South Carolina		Annual Report: <ul style="list-style-type: none"> •Distribution [by tax type and destination fund]
Louisiana		Annual Report: <ul style="list-style-type: none"> •Fund Distributions [by tax and fund]
Pennsylvania*		No response to data request
Wisconsin*		No response to data request
New York*		No response to data request

*Indicates state submitted response to data request

Deliverable 2: Current State Assessment

7.6 Rationale for KPM mapping to Strategic Priorities

KPM	Alignment to Strategic Priority Rationale
1 Average Days to Process Personal Income Tax Refund. -	This is about internal operational excellence - process efficiency.
2 Percent of Personal Income Tax Returns Filed Electronically -	It helps DOR operate more efficiently when returns are filed electronically, but an increase in electronic returns does not mean DOR is improving the speed/accuracy with which an electronic return is processed.
3 Employee Training Per Year (percent receiving 20 hours per year). -	Training could help employees further any of these goals depending on the topic of the training.
4 Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good"; or "excellent" based on overall experience, timeliness, accuracy, helpfulness, expertise, and availability of information.	Contacting/interacting with DOR in ordered have a rating to provide means the customer was looking for taxpayer assistance.
5 Effective Taxpayer Assistance - Provide effective taxpayer assistance through a combination of direct assistance and electronic self-help services.	Results of having more effective assistance could hit the other priorities, but this measure is aligned to taxpayer assistance.
6 Appraisal Program Equity and Uniformity - We will measure the degree to which county appraisal program equity and uniformity is achieved by determining the percentage of study areas statewide with real market values that are within accepted appraisal standards.	Focuses on process standardization = operational excellence.
7 Appraisal Value Uniformity - We will demonstrate our ability to deliver high quality business results by measuring appraisal equity and uniformity for DOR industrial accounts.	Focuses on process standardization = operational excellence.
8 Direct Enforcement Dollars Cost of Funds - We will demonstrate our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost of funds (COF) for every direct enforcement dollar received by our agency.	All about efficiency and effectiveness of efforts Enforcement actions may lead to dollars in collections, but the collections priority is defined around delinquent known debts.
9 Collection Dollars Cost of Funds - We will demonstrate our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost of funds (COF) for every dollar collected by our agency.	All about efficiency and effectiveness (operational excellence) of debt collection efforts (collections).

Deliverable 2: Current State Assessment

10 Cost of Assessments - We will demonstrate our efficiency and effectiveness of our suspense, audit and filing enforcement functions by measuring the cost of every audit and filing enforcement dollar assessed.	All about efficiency and effectiveness (operational excellence) of assessments, which are not necessarily delinquent debt.
11 Employee Engagement - Index of employees considered actively engaged by a standardized survey.	Operational excellence lists employees being empowered to enhance performance results, current assessment of employee engagement does not focus on this aspect of enhancing performance specifically.

This space intentionally blank

State of Oregon Department of Revenue

Outcome-Based Management Work Plan



Executive Summary

Executive Summary

The Outcome-Based Management (OBM) System Work Plan is the second report delivered to the Oregon Department of Revenue (DOR) under a contract resulting from a competitive procurement based on the 2017 Legislative Budget Note (Budget Note), which directed DOR to procure OBM assessment services. The procurement award requires two content deliverables over 16 weeks, a Current State Assessment (delivered December 3, 2018) and an OBM System Work Plan. This document addresses the OBM System Work Plan deliverable.

The OBM System Work Plan is a two-year work plan for OBM system implementation, intended to provide DOR Executive Leadership with the guideposts to oversee the implementation of an integrated OBM system. The OBM System Work Plan charts a path to follow on the journey from current state OBM readiness and maturity to target OMB readiness and maturity. Thus, the OBM System Work Plan builds on the observations and opportunities detailed in the Current State Assessment report.

This Work Plan deliverable has two main components:

- **Component 1 – OBM Operating Model:** A customized DOR operating model details the scope and components necessary for the establishment and operation of the integrated OBM system.
- **Component 2 – OBM Roadmap:** A roadmap that defines the Key Initiatives and activities, timeframes, milestones, resource needs, and critical success factors to support the development and implementation of an integrated OBM system over a two-year timeframe, followed by ongoing operations, monitoring and improvement.

The content of the OBM Operating Model, and thus the Key Initiatives and activities that appear on the OBM Roadmap, has been tailored to address the highest-priority observations and opportunities from the Current State Assessment, which were as follows:

- **Metrics Framework:** The need to develop a framework to evaluate, prioritize and operationalize metrics is addressed by the proposed Metrics Evaluation Framework in Section **Error! Reference source not found.**. An initial proposed list of executive-level metrics for inclusion in the OBM system is also presented. Key Initiative #1 details finalization of these metrics.
- **Strategic Planning:** The assessment identified the need to develop and execute a consistent, well-defined strategic planning process. Development and initial execution of a strategic planning process is addressed in Key Initiative #2. Ongoing execution of strategic planning is incorporated as a Key Process to be managed within the proposed OBM governance structure.
- **OBM Governance:** The need to define organization-level ownership of OBM is addressed by establishing an OBM governance structure that features a new Outcome Management Team (OMT). This process is further described in Section **Error! Reference source not found.**, in which roles and responsibilities are defined, and key skills necessary for each role are identified. Accountability and responsibility for Key Processes is established, including reporting metric performance, planning and executing actions to improve metric performance, and monitoring metric performance between formal reporting cycles. Key Initiative #3 addresses standup of the governance structure. It is recommended that the OBM Governance structure also oversee a needs assessment of technology and tool capabilities to support these OBM processes, which is discussed under Key Initiative #5.
- **Master Data Management (MDM):** The Current State Assessment identified the need to develop and execute an MDM strategy to increase confidence in and reliability of reports extracted from source systems used to calculate metric performance. Additional discussions during development of this OBM System Work Plan deliverable revealed a broader need for development and execution of an Enterprise Data Management (EDM) strategy to scale all data management across the agency (not only that contained in GenTax). EDM includes data

governance, policies and procedures, quality standards, metadata management (catalogs and dictionaries), as well as MDM. The use of EDM to support full confidence in the metrics and underlying data is addressed in Key Initiative #4 – Develop Enterprise Data Management. This initiative also addresses the need to rationalize and validate reports after establishing EDM.

- **“2nd Generation” Training and Change Management Around GenTax:** Key Initiative #6 addresses the opportunity to better align business processes with technology capabilities more broadly and conduct additional technology-related change management and training efforts.

1.1 Summary of OBM Operating Model

The OBM Operating Model is comprised of five elements that, when in place, will support the ongoing operations of the integrated OBM system:

- **Key Initiatives** to support the initial establishment of an integrated OBM system
- **Key Processes** to sustain the ongoing operations of the system
- A proposed **OBM governance structure** with roles and responsibilities
- A **Metrics Evaluation Framework**, including proposed metrics for inclusion in the OBM system
- A list of necessary **technology and tool capabilities**

The Key Initiatives, as foundational activities, build toward establishing the OBM system, while the Key Processes and OBM governance structure together provide for the ongoing operation, management and oversight of the OBM system. The Metrics Evaluation Framework, together with the technology and tool capabilities, support Key Processes. The following subsections provide an overview of each component of the operating model.

Key Initiatives

The Key Initiatives represent groups of activities that must be undertaken in order to establish and enable effective operation of the OBM system. A summary of the Key Initiatives is provided in Section **Error! Reference source not found.** – **Error! Reference source not found.**, while details of each Key Initiative are provided in a standard format in Appendix **Error! Reference source not found.** – **Error! Reference source not found.**. The detailed profiles include a description of each initiative, the objectives it achieves, and the steps required to complete the initiative. Additional data about each initiative is also presented in the profile, including initiative owner, resource needs, and dependencies. The start date and duration of each initiative are also shown in the profile and visualized on the OBM Roadmap to communicate timing relative to other initiatives. As discussed above in relation to addressing the current state observations and opportunities, the Key Initiatives include:

- 1) **Conduct Finalization of Metrics**
- 2) **Establish Strategic Planning Process**
- 3) **Establish OBM Governance and Implement Change Management**
- 4) **Develop Enterprise Data Management**
- 5) **Analyze OBM Technology/Tool Capability Needs**
- 6) **Business Process Alignment and Additional Technology Organizational Change Management (OCM)**

Key Processes

The Key Processes represent groups of activities that, when conducted cyclically following the establishment of the integrated OBM system, will support the ongoing and efficient operations of the system. Details of each Key Process are provided in Section **Error! Reference source not found.** – **Error! Reference source not found.**, including a process description, a breakdown of process steps, step descriptions, and the proposed frequency at which the process is to be executed.

The Key Processes begin with Strategic Planning to set the agency mission, vision, values, associated strategic priorities and strategic objectives¹. Next, the Metric Selection process identifies leading metrics aligned to each strategic objective and selects metrics that best measure progress toward the objectives. In the subsequent Determine Calculation and Target process, a method to calculate each selected metric is determined, and a target is established using benchmarking. This information feeds into the ongoing operations cycle of Reporting metric performance, Planning & Executing Actions to improve metric performance, and Monitoring to escalate any issues arising between Reporting cycles to higher levels of the governance structure. In the event a metric's Target is Met & Sustained, or it is determined that there is a Change Needed to a metric, the appropriate process to make adjustments is triggered. Adjustments range from establishing a new target, to changing to a different metric, to revisiting strategic objectives. The flow of these Key Processes is represented below.

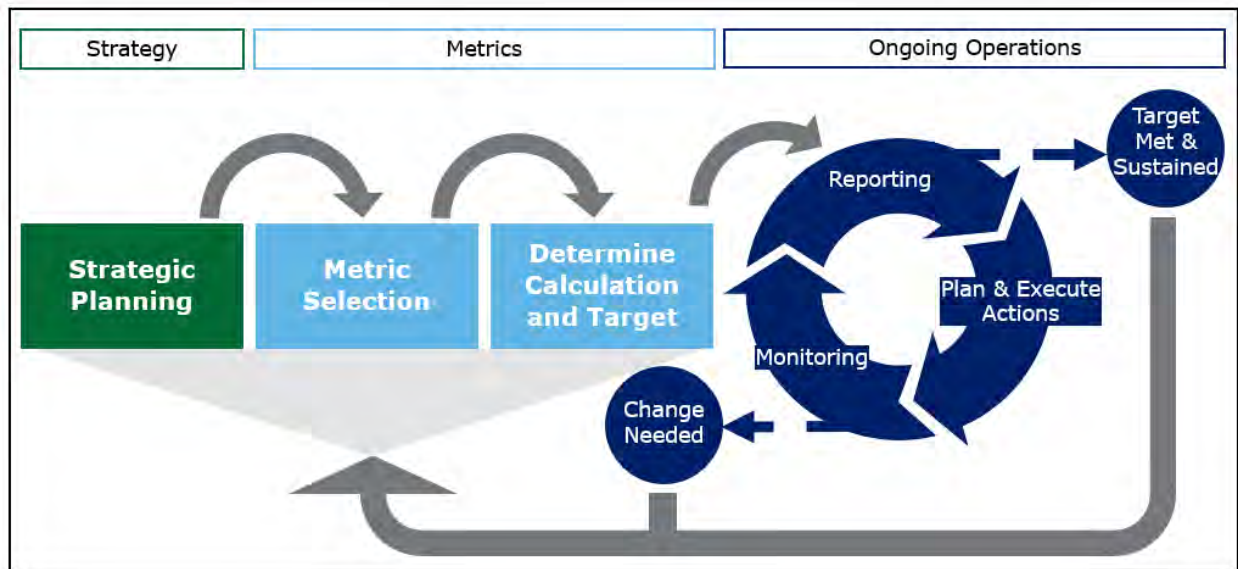


Figure 1 Summary of Key Processes and Flow

This space intentionally blank

¹ The term “strategic objective” is used in this deliverable as it was defined in the Current State Assessment Report – “Refers to a concrete result or identifiable end state that an organization aspires to achieve through the direction of its efforts and resources.” References to “strategic objective(s)” are therefore generic, and it is expected that strategic objectives align to higher-level strategic priorities. References to the specific list of potential objectives developed during the Visioning Session and augmented for the Work Groups will be made using the term “Objectives.”

Governance: Structure, Roles, and Responsibilities

The OBM governance structure represents the mechanism by which Key Processes are developed, managed and overseen. The defined roles and responsibilities support effective and consistent operation of the OBM system and informed decision making by resources with the appropriate skills to guide ongoing system improvement. The governance structure, roles and responsibilities, and key skills for each governance role are detailed in Section **Error! Reference source not found. – Error! Reference source not found.**

To address the organizational needs related to governance, the proposed OBM governance structure is comprised of three layers:

- (1) The Outcome Management Team (OMT),
- (2) The Outcome and Metrics Owners (OMOs), and
- (3) The Metrics Teams.

The first layer is the OMT, which includes the DOR Director, Outcome-Based Management Coordinator, Strategy Lead, Metrics Lead, and Operations Lead, as well as the Technology/Tool Liaison and Data Support resources. Given the ongoing nature of an OBM system, it is necessary to establish a business unit to hold day-to-day responsibility for and execution of OBM practices and Key Processes within DOR. Based on the anticipated level of effort required to complete activities in the OBM Roadmap and support ongoing operations of the integrated OBM system, the OMT is proposed as a long-term unit within the Director's Office comprised of three full-time and two matrixed shared resources.

The second layer, OMOs, are envisioned to be liaisons to the OMT on behalf of their division. The OMOs are staff who already work within their respective division and will perform OBM-related duties to monitor performance of the metrics that their respective division seeks to impact.

Layer three, the Metric Teams, are envisioned to be comprised of individuals who perform OBM-related duties within their division (data gathering, report generation, solution identification etc.) to support the OMO for their respective division.

The high-level governance structure is shown in the figure below.

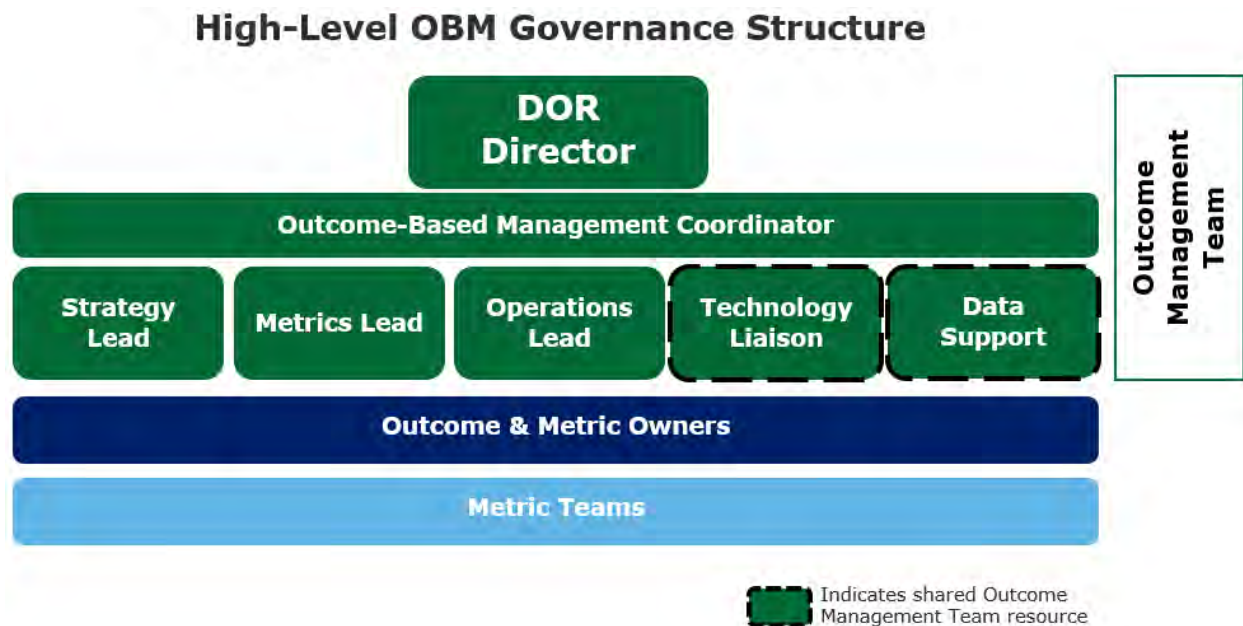


Figure 2 High-Level OBM Governance Structure

Metrics Development and Evaluation Framework

The metrics development approach and the Metrics Evaluation Framework are proposed tools to enable DOR to develop metrics based on leading practices and stakeholder input and select the specific metrics that are best aligned to defined strategic priorities and strategic objectives for inclusion in the OBM system. The framework also helps DOR stratify metrics that are appropriate for Executive Leadership, supervisory/managerial, and operational audiences. The framework is designed to assess a proposed metric across multiple dimensions to determine the ability of DOR to impact the metric, determine the metric type (input, throughput, output or outcome) and its organizational stratification (executive, supervisory/managerial, or operational). Applying the proposed framework to the identification and stratification of metrics both in existence and proposed herein rendered the following results: 12 executive-level outcome metrics, 37 supervisor/manager metrics, and 76 operational metrics. While all metrics can be made available to the Director and other leaders, the stratification is designed to support manageability and focus.

The 12 Executive outcome metrics (listed by supported Tax Function in bold) are summarized below.

Customer Service
Customer satisfaction survey overall and by contact channel (i.e. email, phone, in person)
Return Processing and Payment
Average time to issue refund (by tax type)
Percentage of fraudulent refunds
Return processing accuracy/error rate (based on sampling of items with an "error" resolution)
Accounts Receivable
Total value of arrears collected
Return on Investment (ROI) by enforcement activity
Percent of current payment plans by type (new, defaults, concluded, active, etc.)
ROI by collection activity
Audit
Net collections from audits (by audit type)
Appeals
Number of protests and final adjustment amount
Employee Engagement
Employee engagement survey question results
Leadership section in employee engagement survey results

Table 1 Proposed Executive Metrics by Tax Administration Function

Taken collectively, these executive metrics provide insight into overall agency performance by providing a view through the lens of the customer (individuals and businesses), the employees, and the results of the interactions related to voluntary payment, collections and compliance.

The metrics development framework is detailed in Section **Error! Reference source not found.** – **Error! Reference source not found.**. The Metrics Evaluation Framework is detailed in Section **Error! Reference source not found.** – **Error! Reference source not found.**.

Technology and Tool Capabilities

In order to assess whether DOR has the requisite technology and tool capabilities in place to support the integrated OBM system, a list of standard OBM technology/tool functions and capabilities was developed based on Deloitte's industry knowledge and collective experience on similar engagements. This list was compared against DOR's self-reported current capabilities to determine whether DOR has the minimum

capabilities necessary to support the integrated OBM system. The results of this analysis are presented in Section **Error! Reference source not found. – Error! Reference source not found.**, and they are summarized in the table below. The analysis revealed that while DOR may have adequate capabilities in Data Acquisition, further strategy development and capacity building is needed to attain necessary capabilities in the Data Governance functions and associated capabilities of Governance Structure, Policies and Procedures, and Data Cataloging. Key Initiatives #4 – Develop Enterprise Data Management discusses developing these capabilities. Further analysis of capabilities is needed to understand whether DOR has the capacity required to support the integrated OBM system. Self-Service Access to data is an area of current unmet need due to the reliance on programming resources if an existing dataset cannot resolve a user’s inquiry. Key Initiative #5 – Analyze OBM Technology/Tool Capability Needs describes the steps DOR should take to define a strategy to meet capability needs using existing and/or new technology and tools.

Function	Capabilities	Need Not Currently Met	Further Analysis of Capabilities Needed	Current Capabilities May be Adequate
Data Integration and Quality	Data Acquisition			X
	Data Preparation and Quality Checks		X	
	Data Transformation & Load		X	
Centralized Data Repository	Data Lake and/or Enterprise Data Warehouse		X	
Self-Service Business Intelligence and Visualization	Dashboards		X	
	Ad hoc Analysis and Self-Service Access	X (Self-service)	X (Ad hoc)	
Advanced Analytics	Statistical Analysis		X	
	Predictive Analysis		X	
Data Governance	Governance Structure	X		
	Policies and Procedures	X		
	Data Cataloging	X		

Table 2 High-Level Assessment of DOR Self-Reported OBM Technology/Tool Capabilities and Needs

1.2 Summary of OBM Roadmap

The OBM Roadmap organizes the Key Initiatives to stand up the integrated OBM system and the Key Processes required to sustain ongoing operations into a sequenced and executable plan. Dependencies between initiatives are also captured. This enables DOR to proactively plan for the upcoming resource needs of each initiative on the timeline and manage potential delays in critical activities that have downstream impacts on the date the OBM system can be implemented.

Milestones and Key Activities

The detailed Roadmap provided in Section **Error! Reference source not found. – Error! Reference source not found.** presents both the high-level initiatives and a more granular breakdown of the

structured. There is also potential need for ongoing, dedicated OCM support resulting from Key Initiative #6.

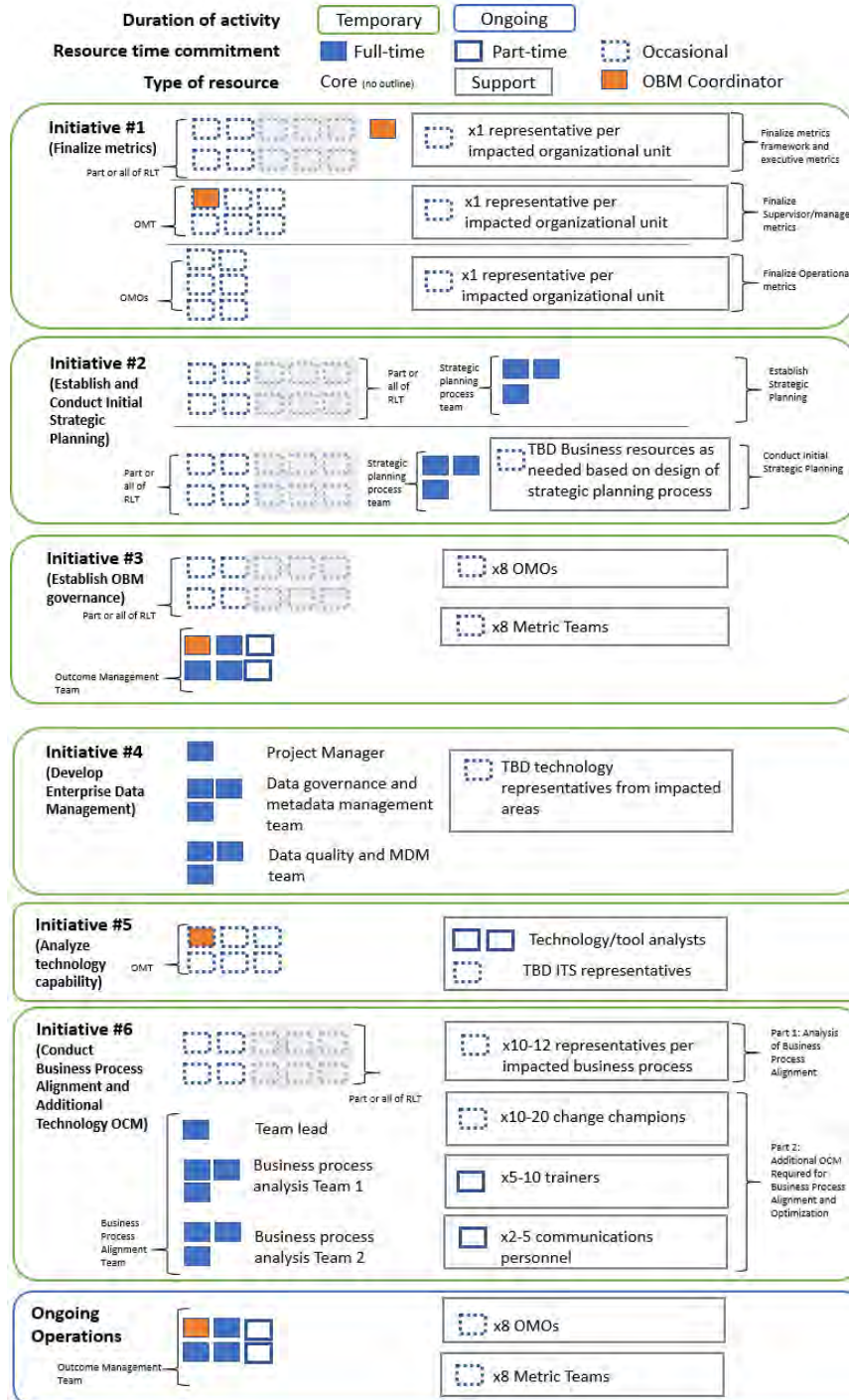


Figure 4 Resource Needs Summary

Critical Success Factors

Critical success factors are categorical areas that if addressed will improve DOR's ability to achieve successful execution of the Roadmap for implementation of the OBM Operating Model. The critical success factors are detailed in Section **Error! Reference source not found. – Error! Reference source not found.**, along with actions DOR can take to achieve them. The critical success factors for the effective implementation of an integrated OBM system typically include time, talent, and investment, as well as adequate knowledge, skills, abilities and communications. Additionally, leadership must prioritize their time committed to the endeavor and empower those responsible to drive the execution day to day. These factors, when addressed consistently, direct an organization toward a common result in a way that cultivates adoption of and adaptation to the OBM effort. For DOR, these factors can be condensed into the categories of leadership, culture, and resources. Supporting actions DOR can undertake to reinforce these success factors include:

Leadership:

- **Enable Sponsorship and Decision-Making:** Educate and foster agency leadership buy-in to the anticipated benefits of OBM both within and across divisions and sections. Validate that leadership at all levels in the OBM system is aligned with and actively sponsoring the vision for the integrated OBM system, and that leadership is supporting decision-making across teams that drives accomplishment of the OBM Work Plan
- **Promote Organizational Adoption Through Change Management:** Enable OMOs and Metric Team members to serve as change champions within their sections to advocate for and educate colleagues on OBM
- **Devote Adequate Employee and Leadership Time to OBM:** Establish dedicated time for employees to grow capacity, capability and comfort with OBM activities, and for DOR and OBM leadership to effectively guide the development and implementation of the OBM system

Culture:

- **Integrate OBM into DOR's Culture:** Communicate, endorse and advocate for the OBM system vision, the benefits expected, and early successes both internally and externally to integrate DOR's ongoing work toward improving performance as a shared focus within agency culture
- **Encourage a Culture of Accountability:** Connect with employees in ways that enable them to directly link the work they do with the achievement of strategic objectives, and recognize positive performance

Resources:

- **Align Scope and Funding Investments:** Based on sourcing decisions determine, provide or seek sufficient funding of the OBM system in a way that meets DOR's needs and addresses the Legislature's priorities for DOR
- **Right-Size and Right-Skill the Staffing Effort:** Resource strategically so that each Key Initiative and governance structure role has not only sufficient resources for execution, but also resources with the breadth of appropriate skills for each specific role (skillsets may differ from those available today)

With the OBM Roadmap in hand, DOR Executive Leadership has a plan of initiatives, activities and milestones sequenced to both address current state opportunities and stand up the OBM Operating Model. Once established, the OBM Operating Model's Key Processes and governance structure will enable ongoing operations of the integrated OBM system and support continuous improvement to mature the system. For DOR to move forward with the OBM Roadmap initiatives and activities, the resource needs must be satisfied, and the critical success factors must be in place. For DOR to realize successful implementation of an integrated OBM system, these resources and success factors must be maintained for the duration of the effort.

State of Oregon Department of Revenue

Outcome-Based Management Work Plan



Executive Summary

Executive Summary

The Outcome-Based Management (OBM) System Work Plan is the second report delivered to the Oregon Department of Revenue (DOR) under a contract resulting from a competitive procurement based on the 2017 Legislative Budget Note (Budget Note), which directed DOR to procure OBM assessment services. The procurement award requires two content deliverables over 16 weeks, a Current State Assessment (delivered December 3, 2018) and an OBM System Work Plan. This document addresses the OBM System Work Plan deliverable.

The OBM System Work Plan is a two-year work plan for OBM system implementation, intended to provide DOR Executive Leadership with the guideposts to oversee the implementation of an integrated OBM system. The OBM System Work Plan charts a path to follow on the journey from current state OBM readiness and maturity to target OMB readiness and maturity. Thus, the OBM System Work Plan builds on the observations and opportunities detailed in the Current State Assessment report.

This Work Plan deliverable has two main components:

- **Component 1 – OBM Operating Model:** A customized DOR operating model details the scope and components necessary for the establishment and operation of the integrated OBM system.
- **Component 2 – OBM Roadmap:** A roadmap that defines the Key Initiatives and activities, timeframes, milestones, resource needs, and critical success factors to support the development and implementation of an integrated OBM system over a two-year timeframe, followed by ongoing operations, monitoring and improvement.

The content of the OBM Operating Model, and thus the Key Initiatives and activities that appear on the OBM Roadmap, has been tailored to address the highest-priority observations and opportunities from the Current State Assessment, which were as follows:

- **Metrics Framework:** The need to develop a framework to evaluate, prioritize and operationalize metrics is addressed by the proposed Metrics Evaluation Framework in Section **Error! Reference source not found.** An initial proposed list of executive-level metrics for inclusion in the OBM system is also presented. Key Initiative #1 details finalization of these metrics.
- **Strategic Planning:** The assessment identified the need to develop and execute a consistent, well-defined strategic planning process. Development and initial execution of a strategic planning process is addressed in Key Initiative #2. Ongoing execution of strategic planning is incorporated as a Key Process to be managed within the proposed OBM governance structure.
- **OBM Governance:** The need to define organization-level ownership of OBM is addressed by establishing an OBM governance structure that features a new Outcome Management Team (OMT). This process is further described in Section **Error! Reference source not found.**, in which roles and responsibilities are defined, and key skills necessary for each role are identified. Accountability and responsibility for Key Processes is established, including reporting metric performance, planning and executing actions to improve metric performance, and monitoring metric performance between formal reporting cycles. Key Initiative #3 addresses standup of the governance structure. It is recommended that the OBM Governance structure also oversee a needs assessment of technology and tool capabilities to support these OBM processes, which is discussed under Key Initiative #5.
- **Master Data Management (MDM):** The Current State Assessment identified the need to develop and execute an MDM strategy to increase confidence in and reliability of reports extracted from source systems used to calculate metric performance. Additional discussions during development of this OBM System Work Plan deliverable revealed a broader need for development and execution of an Enterprise Data Management (EDM) strategy to scale all data management across the agency (not only that contained in GenTax). EDM includes data

governance, policies and procedures, quality standards, metadata management (catalogs and dictionaries), as well as MDM. The use of EDM to support full confidence in the metrics and underlying data is addressed in Key Initiative #4 – Develop Enterprise Data Management. This initiative also addresses the need to rationalize and validate reports after establishing EDM.

- **“2nd Generation” Training and Change Management Around GenTax:** Key Initiative #6 addresses the opportunity to better align business processes with technology capabilities more broadly and conduct additional technology-related change management and training efforts.

1.1 Summary of OBM Operating Model

The OBM Operating Model is comprised of five elements that, when in place, will support the ongoing operations of the integrated OBM system:

- **Key Initiatives** to support the initial establishment of an integrated OBM system
- **Key Processes** to sustain the ongoing operations of the system
- A proposed **OBM governance structure** with roles and responsibilities
- A **Metrics Evaluation Framework**, including proposed metrics for inclusion in the OBM system
- A list of necessary **technology and tool capabilities**

The Key Initiatives, as foundational activities, build toward establishing the OBM system, while the Key Processes and OBM governance structure together provide for the ongoing operation, management and oversight of the OBM system. The Metrics Evaluation Framework, together with the technology and tool capabilities, support Key Processes. The following subsections provide an overview of each component of the operating model.

Key Initiatives

The Key Initiatives represent groups of activities that must be undertaken in order to establish and enable effective operation of the OBM system. A summary of the Key Initiatives is provided in Section **Error! Reference source not found.** – **Error! Reference source not found.**, while details of each Key Initiative are provided in a standard format in Appendix **Error! Reference source not found.** – **Error! Reference source not found.**. The detailed profiles include a description of each initiative, the objectives it achieves, and the steps required to complete the initiative. Additional data about each initiative is also presented in the profile, including initiative owner, resource needs, and dependencies. The start date and duration of each initiative are also shown in the profile and visualized on the OBM Roadmap to communicate timing relative to other initiatives. As discussed above in relation to addressing the current state observations and opportunities, the Key Initiatives include:

- 1) **Conduct Finalization of Metrics**
- 2) **Establish Strategic Planning Process**
- 3) **Establish OBM Governance and Implement Change Management**
- 4) **Develop Enterprise Data Management**
- 5) **Analyze OBM Technology/Tool Capability Needs**
- 6) **Business Process Alignment and Additional Technology Organizational Change Management (OCM)**

Governance: Structure, Roles, and Responsibilities

The OBM governance structure represents the mechanism by which Key Processes are developed, managed and overseen. The defined roles and responsibilities support effective and consistent operation of the OBM system and informed decision making by resources with the appropriate skills to guide ongoing system improvement. The governance structure, roles and responsibilities, and key skills for each governance role are detailed in Section **Error! Reference source not found.** – **Error! Reference source not found.**

To address the organizational needs related to governance, the proposed OBM governance structure is comprised of three layers:

- (1) The Outcome Management Team (OMT),
- (2) The Outcome and Metrics Owners (OMOs), and
- (3) The Metrics Teams.

The first layer is the OMT, which includes the DOR Director, Outcome-Based Management Coordinator, Strategy Lead, Metrics Lead, and Operations Lead, as well as the Technology/Tool Liaison and Data Support resources. Given the ongoing nature of an OBM system, it is necessary to establish a business unit to hold day-to-day responsibility for and execution of OBM practices and Key Processes within DOR. Based on the anticipated level of effort required to complete activities in the OBM Roadmap and support ongoing operations of the integrated OBM system, the OMT is proposed as a long-term unit within the Director's Office comprised of three full-time and two matrixed shared resources.

The second layer, OMOs, are envisioned to be liaisons to the OMT on behalf of their division. The OMOs are staff who already work within their respective division and will perform OBM-related duties to monitor performance of the metrics that their respective division seeks to impact.

Layer three, the Metric Teams, are envisioned to be comprised of individuals who perform OBM-related duties within their division (data gathering, report generation, solution identification etc.) to support the OMO for their respective division.

The high-level governance structure is shown in the figure below.

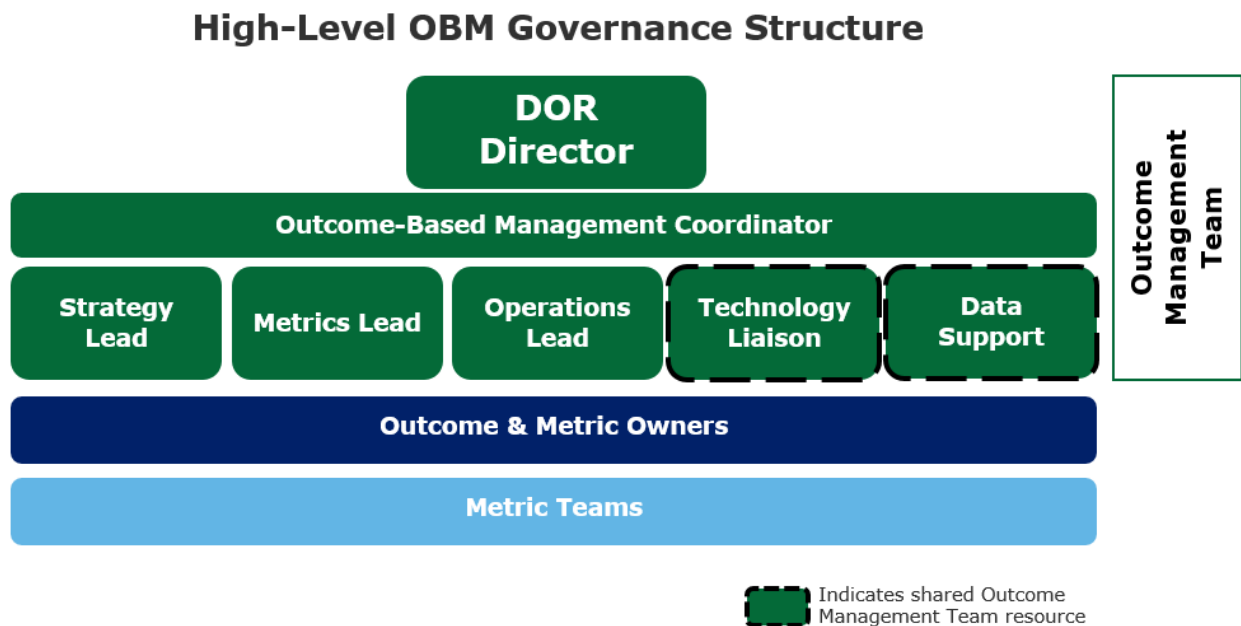


Figure 2 High-Level OBM Governance Structure

Metrics Development and Evaluation Framework

The metrics development approach and the Metrics Evaluation Framework are proposed tools to enable DOR to develop metrics based on leading practices and stakeholder input and select the specific metrics that are best aligned to defined strategic priorities and strategic objectives for inclusion in the OBM system. The framework also helps DOR stratify metrics that are appropriate for Executive Leadership, supervisory/managerial, and operational audiences. The framework is designed to assess a proposed metric across multiple dimensions to determine the ability of DOR to impact the metric, determine the metric type (input, throughput, output or outcome) and its organizational stratification (executive, supervisory/managerial, or operational). Applying the proposed framework to the identification and stratification of metrics both in existence and proposed herein rendered the following results: 12 executive-level outcome metrics, 37 supervisor/manager metrics, and 76 operational metrics. While all metrics can be made available to the Director and other leaders, the stratification is designed to support manageability and focus.

The 12 Executive outcome metrics (listed by supported Tax Function in bold) are summarized below.

Customer Service
Customer satisfaction survey overall and by contact channel (i.e. email, phone, in person)
Return Processing and Payment
Average time to issue refund (by tax type)
Percentage of fraudulent refunds
Return processing accuracy/error rate (based on sampling of items with an "error" resolution)
Accounts Receivable
Total value of arrears collected
Return on Investment (ROI) by enforcement activity
Percent of current payment plans by type (new, defaults, concluded, active, etc.)
ROI by collection activity
Audit
Net collections from audits (by audit type)
Appeals
Number of protests and final adjustment amount
Employee Engagement
Employee engagement survey question results
Leadership section in employee engagement survey results

Table 1 Proposed Executive Metrics by Tax Administration Function

Taken collectively, these executive metrics provide insight into overall agency performance by providing a view through the lens of the customer (individuals and businesses), the employees, and the results of the interactions related to voluntary payment, collections and compliance.

The metrics development framework is detailed in Section **Error! Reference source not found.** – **Error! Reference source not found.**. The Metrics Evaluation Framework is detailed in Section **Error! Reference source not found.** – **Error! Reference source not found.**.

Technology and Tool Capabilities

In order to assess whether DOR has the requisite technology and tool capabilities in place to support the integrated OBM system, a list of standard OBM technology/tool functions and capabilities was developed based on Deloitte's industry knowledge and collective experience on similar engagements. This list was compared against DOR's self-reported current capabilities to determine whether DOR has the minimum

capabilities necessary to support the integrated OBM system. The results of this analysis are presented in Section **Error! Reference source not found. – Error! Reference source not found.**, and they are summarized in the table below. The analysis revealed that while DOR may have adequate capabilities in Data Acquisition, further strategy development and capacity building is needed to attain necessary capabilities in the Data Governance functions and associated capabilities of Governance Structure, Policies and Procedures, and Data Cataloging. Key Initiatives #4 – Develop Enterprise Data Management discusses developing these capabilities. Further analysis of capabilities is needed to understand whether DOR has the capacity required to support the integrated OBM system. Self-Service Access to data is an area of current unmet need due to the reliance on programming resources if an existing dataset cannot resolve a user’s inquiry. Key Initiative #5 – Analyze OBM Technology/Tool Capability Needs describes the steps DOR should take to define a strategy to meet capability needs using existing and/or new technology and tools.

Function	Capabilities	Need Not Currently Met	Further Analysis of Capabilities Needed	Current Capabilities May be Adequate
Data Integration and Quality	Data Acquisition			X
	Data Preparation and Quality Checks		X	
	Data Transformation & Load		X	
Centralized Data Repository	Data Lake and/or Enterprise Data Warehouse		X	
Self-Service Business Intelligence and Visualization	Dashboards		X	
	Ad hoc Analysis and Self-Service Access	X (Self-service)	X (Ad hoc)	
Advanced Analytics	Statistical Analysis		X	
	Predictive Analysis		X	
Data Governance	Governance Structure	X		
	Policies and Procedures	X		
	Data Cataloging	X		

Table 2 High-Level Assessment of DOR Self-Reported OBM Technology/Tool Capabilities and Needs

1.2 Summary of OBM Roadmap

The OBM Roadmap organizes the Key Initiatives to stand up the integrated OBM system and the Key Processes required to sustain ongoing operations into a sequenced and executable plan. Dependencies between initiatives are also captured. This enables DOR to proactively plan for the upcoming resource needs of each initiative on the timeline and manage potential delays in critical activities that have downstream impacts on the date the OBM system can be implemented.

Milestones and Key Activities

The detailed Roadmap provided in Section **Error! Reference source not found. – Error! Reference source not found.** presents both the high-level initiatives and a more granular breakdown of the

structured. There is also potential need for ongoing, dedicated OCM support resulting from Key Initiative #6.

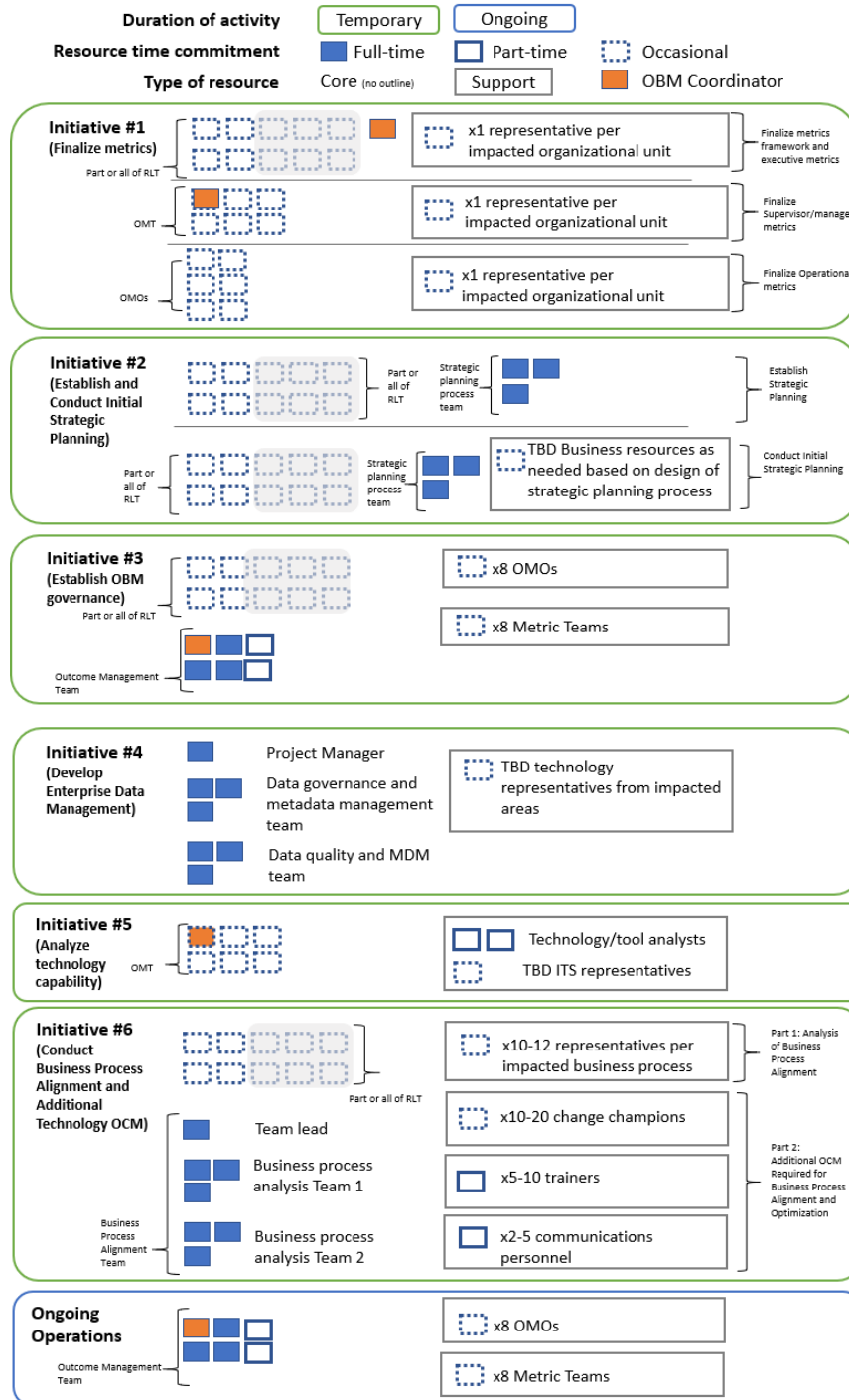


Figure 4 Resource Needs Summary

Critical Success Factors

Critical success factors are categorical areas that if addressed will improve DOR's ability to achieve successful execution of the Roadmap for implementation of the OBM Operating Model. The critical success factors are detailed in Section **Error! Reference source not found. – Error! Reference source not found.**, along with actions DOR can take to achieve them. The critical success factors for the effective implementation of an integrated OBM system typically include time, talent, and investment, as well as adequate knowledge, skills, abilities and communications. Additionally, leadership must prioritize their time committed to the endeavor and empower those responsible to drive the execution day to day. These factors, when addressed consistently, direct an organization toward a common result in a way that cultivates adoption of and adaptation to the OBM effort. For DOR, these factors can be condensed into the categories of leadership, culture, and resources. Supporting actions DOR can undertake to reinforce these success factors include:

Leadership:

- **Enable Sponsorship and Decision-Making:** Educate and foster agency leadership buy-in to the anticipated benefits of OBM both within and across divisions and sections. Validate that leadership at all levels in the OBM system is aligned with and actively sponsoring the vision for the integrated OBM system, and that leadership is supporting decision-making across teams that drives accomplishment of the OBM Work Plan
- **Promote Organizational Adoption Through Change Management:** Enable OMOs and Metric Team members to serve as change champions within their sections to advocate for and educate colleagues on OBM
- **Devote Adequate Employee and Leadership Time to OBM:** Establish dedicated time for employees to grow capacity, capability and comfort with OBM activities, and for DOR and OBM leadership to effectively guide the development and implementation of the OBM system

Culture:

- **Integrate OBM into DOR's Culture:** Communicate, endorse and advocate for the OBM system vision, the benefits expected, and early successes both internally and externally to integrate DOR's ongoing work toward improving performance as a shared focus within agency culture
- **Encourage a Culture of Accountability:** Connect with employees in ways that enable them to directly link the work they do with the achievement of strategic objectives, and recognize positive performance

Resources:

- **Align Scope and Funding Investments:** Based on sourcing decisions determine, provide or seek sufficient funding of the OBM system in a way that meets DOR's needs and addresses the Legislature's priorities for DOR
- **Right-Size and Right-Skill the Staffing Effort:** Resource strategically so that each Key Initiative and governance structure role has not only sufficient resources for execution, but also resources with the breadth of appropriate skills for each specific role (skillsets may differ from those available today)

With the OBM Roadmap in hand, DOR Executive Leadership has a plan of initiatives, activities and milestones sequenced to both address current state opportunities and stand up the OBM Operating Model. Once established, the OBM Operating Model's Key Processes and governance structure will enable ongoing operations of the integrated OBM system and support continuous improvement to mature the system. For DOR to move forward with the OBM Roadmap initiatives and activities, the resource needs must be satisfied, and the critical success factors must be in place. For DOR to realize successful implementation of an integrated OBM system, these resources and success factors must be maintained for the duration of the effort.

State of Oregon Department of Revenue

Outcome-Based Management Assessment



Current State Assessment
Submitted December 3, 2018

Deliverable 2: Current State Assessment

Document Control Information

Document Name	Current State Assessment
Project Name	Outcome-Based Management Assessment
Client	State of Oregon, Department of Revenue, DASPS-1704-18
Document Author	Deloitte Consulting, LLP
Document Version	Final
Document Status	Complete
Date Released	12/3/2018

Document Review / Approval History

Date	Name	Organization/Title	Comments
	Satish Upadhyay	DOR Deputy Director, Project Sponsor	
	Dawn Farr	DOR Outcome-Based Management Coordinator, DOR Project Manager	
	Cindy Burger, Jon Hart, Deanna Mack, Krista Olson, Keith Shribbs, Eric Smith, Mickaella Suarez	DOR Review Team	

Distribution of Final Document

The following people are designated recipients of the final version of this document:

Name	Organization/Title
Nia Ray	Director
Satish Upadhyay	Deputy Director, Project Sponsor
Dawn Farr	DOR Outcome-Based Management Coordinator, DOR Project Manager
DOR Revenue Leadership Team (RLT)	(agency executive leadership)
DOR Review Team	(see above)

Deliverable 2: Current State Assessment

Table of Contents

Table of Contents	iii
Table of Figures	iv
Table of Tables	iv
Section 1: Purpose, Background, and Approach	1
1.1 Purpose	1
1.2 Background.....	1
1.3 Approach	4
Section 2: Executive Summary	6
Section 3: Current State of Outcome-Based Management	13
3.1 Assessment of Strategic Planning Processes.....	14
3.2 Assessment of Agency Alignment with Strategic Priorities and Core Business Outcomes.....	16
3.3 Assessment of Current Metrics	26
3.3.1 Hotsheets	27
3.3.2 KPMs.....	38
3.3.3 Comparisons to Other State Revenue Agency Outcome Metrics.....	40
Section 4: Organizational and Divisional Readiness to Develop an Integrated OBM System	44
4.1 Maturity of Outcome-Based Management by Division / Section	44
4.2 Enterprise-wide Readiness to Implement OBM	59
Section 5: Summary of Observations and Opportunities	75
Section 6: Conclusion and Next Steps.....	80
Section 7: Appendices	82
7.1 Detailed Approach	82
7.2 List of Interview Questions used with RLT Members, Internal Audit, and Legislative Affairs	92
7.3 List of Work Group Participants.....	93
7.4 Objective Selection and Alignment by Work Group Participants	96
7.5 Detailed Peer State Comparison Tables	98
7.6 Rationale for KPM mapping to Strategic Priorities	110

Deliverable 2: Current State Assessment

Table of Figures

Figure 1 Approach to Current State Assessment	4
Figure 2 Current State Draft DOR Strategic Framework	15
Figure 3 How Visioning Lab and Work Groups Complements DOR's Draft Strategic Framework.....	18
Figure 4 Results from Visioning Lab	18
Figure 5 Count Alignment Visioning Lab Objectives to Business Outcomes	19
Figure 6 Alignment of Visioning Objectives to Strategic Priorities	20
Figure 7 Potential Objectives Selection List.....	21
Figure 8 Employees Work Session Objective Selection Results.....	22
Figure 9 Objectives Selected Most Frequently by DOR Work Groups.....	23
Figure 10 Alignment of Objectives Selected by Work Groups.....	24
Figure 11 Count of Hotsheet Metrics Tracked by Division	29
Figure 12 Count of Hotsheet Metrics Tracked by Division	30
Figure 13 Count of Hotsheet Metrics by Division and Metric Level	32
Figure 14 Count of Hotsheet Metrics by Target Type.....	33
Figure 15 Count of Hotsheet Metrics by Division With and Without Targets	34
Figure 16 Count of Hotsheet Metrics by Alignment to DOR's Draft Strategic Priorities	35
Figure 17 Count of Hotsheet Metrics by Alignment to the Core Business Outcomes.....	36
Figure 18 Count of Hotsheet Metrics by Division and Alignment to Core Business Outcomes	37
Figure 19 Count of Hotsheet Metrics by Alignment to the KPMs.....	38
Figure 20 KPM Aligned to DOR's Strategic Priorities	39
Figure 21 KPM Alignment to Core Business Outcomes	40
Figure 22 Current State Division/Section Assessment Scoring Spectrum	48
Figure 23 Current State Division/Section Gap Scoring Spectrum	48
Figure 24 Enterprise Maturity Readiness Scoring Spectrum	65
Figure 25 Enterprise Maturity Readiness Gap Score Spectrum.....	65
Figure 26 Approach to Developing Key Deliverables.....	82
Figure 27 Alignment of Objectives Selected by DOR Core Business Working Groups	96
Figure 28 Alignment of Objectives Selected by Cross Functional Working Groups	96
Figure 29 Alignment of Objectives Selected by Support Service Groups	97

Table of Tables

Table 1 Definition of Key Terms.....	2
Table 2 Summary of Division/Section Current State OBM Maturity	9
Table 3 Summary of Enterprise-wide Readiness Assessment	10
Table 4 3.1 Summary	14
Table 5 3.2 Summary	17
Table 6 Assessment of Current Metrics Observations and Opportunities Summary	26
Table 7 Overview of Hotsheet Metrics	28
Table 8 Outcomes Measured on DOR Hotsheets	31
Table 9 Summary of Peer State Comparisons.....	42

Deliverable 2: Current State Assessment

Table 10 4.1 Summary	45
Table 11 Evaluation Criteria for People, Process, and Technology Ratings.....	46
Table 12 Summary of Division/Section Current OBM Maturity	47
Table 13 Current Outcome-Based Management Maturity by Division	50
Table 14 4.2 Summary	59
Table 15 Summary view of Maturity Organizational Enterprise- wide Assessment.....	64
Table 16 Organization Enterprise-wide OBM Maturity Ratings	67
Table 17 Summary of Observations, Gaps, and Opportunities	75
Table 18 Summary of Enterprise Observations and Strategic Opportunities.....	81
Table 19 Overview of Inputs	83
Table 20 Interview Questions	92
Table 21 Work Group Participants.....	93
Table 22 Peer State Comparison, Overview Information, Part 1.....	98
Table 23 Peer State Comparison, Overview Information, Part 2.....	99
Table 24 Peer State Comparison, Overview Information, Part 3.....	100
Table 25 Peer State Comparison Against Illustrative Performance Indicators and Deloitte Knowledgebase	101

Deliverable 2: Current State Assessment

Section 1: Purpose, Background, and Approach

1.1 Purpose

The purpose of this project is to help the State of Oregon's Department of Revenue (DOR) develop the processes, capabilities and tools necessary to create and sustain a more rigorous Outcome-Based Management (OBM) system throughout the agency. There are two parts to an OBM system. The first part refers to establishing strategic priorities that cascade down and across the agency and that reflect the purpose and intended results of agency activities, management decisions and operational plans. The second part refers to creating and operationalizing the system that delivers that strategy. More specifically, this system refers to the necessary governance (policies and practices), organizational structure and visualization tools needed to execute management and monitoring of the established priorities.

As described in the contract agreement for this project, the Current State Assessment deliverable includes a review of the agency's current understanding, use, culture and capabilities regarding OBM. The Current State Assessment deliverable lays the foundation and context for the OBM system. A subsequent deliverable, the OBM System Work Plan, will provide senior DOR leadership with an actionable roadmap and guideposts necessary to support execution and oversight of the OBM system's development and implementation.

The Current State Assessment serves an important function within the larger context of the project. The purpose of this assessment is to:

- Understand DOR's current practices relative to OBM
- Evaluate DOR's readiness to develop an integrated OBM system
- Identify gaps that should be closed to achieve a successful establishment of an OBM system
- Provide recommended initial actions to begin closing the identified gaps

These four components of the Current State Assessment inform the design of an achievable future state, and how that future state can be reached.

1.2 Background

Introduction to the Project and Current State Assessment

Oregon's Department of Revenue serves a critical mission in the state. According to the "About Us" section of DOR's website, DOR "make[s] revenue systems work to fund the public services that preserve and enhance the quality of life for all citizens." In this context, it is beneficial for DOR to be able to identify, manage, monitor and communicate their Strategic Priorities, Core Business Outcomes, and Objectives both internally and to external stakeholders. It is important that there is a common understanding of DOR's established priorities and desired outcomes as these strategic considerations typically operate as drivers of an organization's behavior, influence the allocation of internal resources, and inform its operational management decisions. The priorities and outcomes must also be measured and progress monitored if an agency is to be successful. The effort and process to establish priorities, identify metrics and monitor progress is at the heart of an OBM system.

The State of Oregon and the Department of Revenue recognizes the significance of OBM as reflected in the 2017 Legislative Budget Note. The Budget Note required DOR to acquire external services to undertake an OBM Assessment to evaluate DOR's current capacity and readiness to implement OBM. In February 2018, the Legislature provided the agency with a new position to support OBM activities, this

Deliverable 2: Current State Assessment

position was filled in April 2018. These steps mark the beginning of a foundation on which DOR can build toward an effective OBM system.

The scope of the contract is delivered in two segments. The first segment is the Current State Assessment and the second segment is the OBM System Work Plan (which will be delivered in December of 2018). This Current State Assessment report is designed to broadly assess the agency's current understanding, use, culture, and capabilities regarding OBM. Based on the review of the areas listed above, this assessment identifies findings/observations, gaps, and opportunities resulting from the analysis of the gathered data and information. The Current State Assessment, based on the information available, provides DOR leadership with options to execute a plan to effectively and expediently become an outcome-based managed organization. The OBM System Work Plan deliverable will be developed using the observations of this assessment and leading practices. While the Current State Assessment lays the foundation and context for the OBM system, the OBM System Work Plan provides senior DOR leadership with an actual roadmap and guideposts necessary to support execution and oversight of the OBM system's implementation.

Defining key terms

DOR leaders and participating employees hold differing views and definitions of OBM. Therefore, a common definition is necessary to effectively frame the findings/observations, opportunities and suggestions. This assessment relies heavily on a set of key terms related to OBM and applies a specific meaning for key terms as set out below.

The following glossary defines the key terms used in this deliverable.¹

Table 1 Definition of Key Terms

Key Term	Definition	Examples (if applicable)
Outcome-Based Management (OBM)	Refers to establishing strategic priorities that cascade down and across the agency and that reflect the purpose and intended results from agency activities, management decisions and operational plans	N/A
Strategic Priority	A highest-level, overall goal an organization seeks to accomplish. The Objectives, Drivers, Levers, and Metrics (defined below) should all be aligned to the Strategic Priorities	-Optimize how taxpayers meet their obligations to the State
Objective	Refers to a concrete result or identifiable end state that an organization aspires to achieve through the direction of its efforts and resources	-Improve Voluntary Compliance Rate
Driver	Refers to the factors that can directly influence the success or failure of an objective	-Ease of compliance with tax filing requirements

¹ Whereas DOR's Internal Audit on performance management offered definitions for a similar set of terms, this assessment will use the definitions provided in Table 1, which may differ from the definitions provided by Internal Audit.

Deliverable 2: Current State Assessment

Key Term	Definition	Examples (if applicable)
Lever	Refers to what can be controlled (i.e. increased or decreased, started or stopped) to influence the drivers. Levers may also be described as the key activities that, when performed, have some measurable impact on the Drivers	-Streamline and simplify filing forms -Provide helpful training videos for taxpayers
Key Performance Measures (KPMs)	Refers to the measures that are set in Oregon statute. In this document, KPMs refer to the 11 Key Performance Measures defined by the Oregon State Legislature	-e.g., Average Days to Process Personal Income Tax Return
Hotsheet	Refers specifically to the reports that DOR uses within its units to track and circulate information relating to metrics	-"2018 PIT Return Review"
Metric	Generally, refers to a performance indicator that measures some part of the organizations activities related to the objectives. In this assessment, the term "Metric" specifically references the performance indicators found in DOR's Hotsheets	-Number of calls received
Target	The baseline performance expectation for a given metric against which the metric is evaluated. Targets allow organizations to judge whether the stated objectives are met	-90% of calls answered within 10 minutes
Action Plan	The agreed upon course of action that an organization will take when a metric does not meet its corresponding target	-The unit will conduct additional staff training if 90% of calls are not answered within 10 minutes, as measured on a monthly basis
Metrics Framework	A logical framework that guides the evaluation, selection and prioritization of outcome-based metrics for inclusion into the OBM system.	N/A
OBM Governance	Defines the operating structure, roles, responsibilities and decision rights of the leadership team that presides over the management of the OBM system.	N/A

This space intentionally blank.

Deliverable 2: Current State Assessment

1.3 Approach

The approach and methodology used in this assessment involves three distinct steps, detailed in Figure 1 below:²

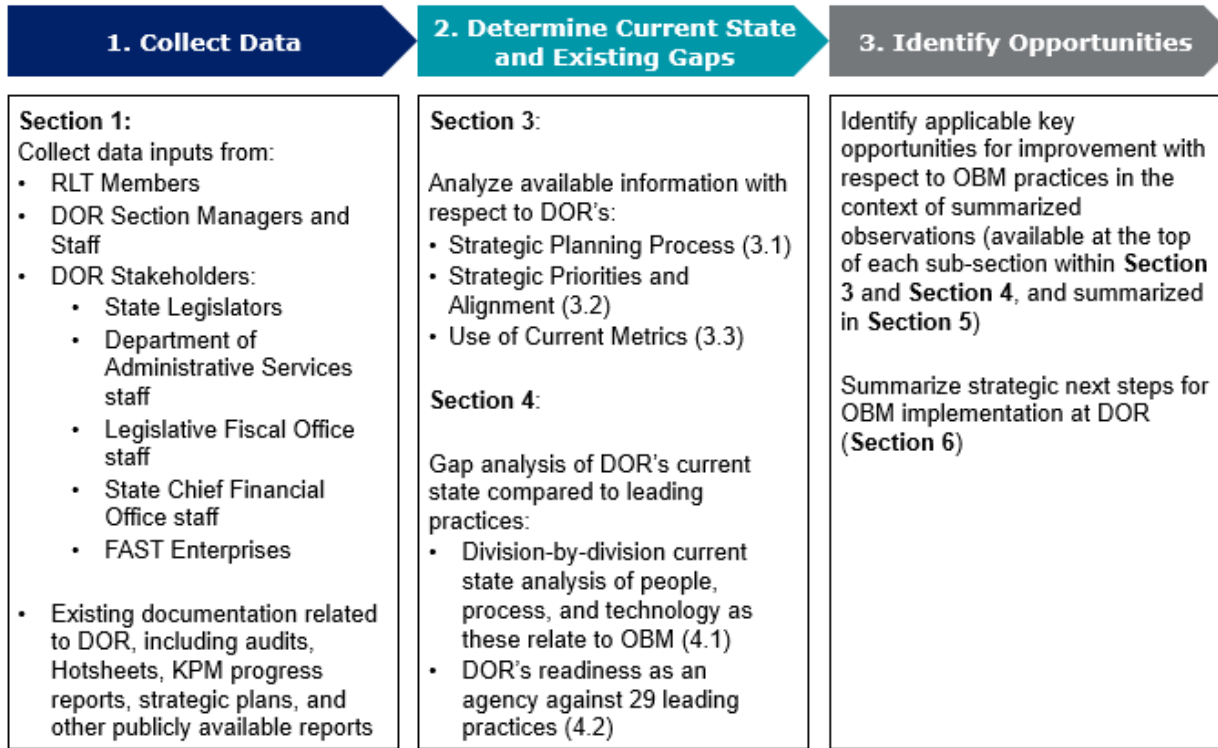


Figure 1 Approach to Current State Assessment

Each of the three steps in the Current State Assessment is described in detail in the Appendix Section 7.1. To provide context, the approach steps are summarized as below:

Step 1 – Data Collection. Uses a variety of data gathering techniques including interactive sessions with DOR leadership (through Visioning Lab), participating employee Work Groups (through Work Sessions), touch point discussions with external stakeholders from both Legislative and Executive branches, a review of documentation provided by DOR and external research activities.

Step 2 – Current State and Gap Analysis. Utilizes methodologies that leverage qualitative reviews of the data provided in a structured tool that allows a valid baseline comparison among divisions within DOR. It also provides an understanding of DOR's readiness as an organization to develop and implement OBM.

Step 3 – Identification of Opportunities. Identifies options for resolving gaps identified in Phase 2. It considers that gaps and opportunities do not always have a one-to-one relationship. Some gaps may be closed through multiple opportunities or a single opportunity may close multiple gaps.

In addition to the Approach and Methodology, this assessment also considers the larger contextual dynamics at play in the environment within and around DOR. These contextual considerations can

² Note that the Approach is described in general alignment with the sections of this report. Section 2, the Executive Summary, is not listed in Figure 1.

Deliverable 2: Current State Assessment

directly and indirectly impact DOR's ability to implement an OBM system. These important dynamics include the following aspects:

1. The state of the recent Core System Replacement(GenTax) project and its impact on the work
2. The level of the agency's change fatigue, in light of the Core System Replacement, leadership changes etc.,
3. Several key audits (both internal and external)
4. Additional 2017 Legislative Budget Notes (beyond the OBM related Budget Note)
5. DOR's current Key Performance Measures (KPMs), and
6. DOR's existing strategic planning activity

The aggregate impact of these contextual factors is significant. These factors have impacted agency operational and strategic activities and will inform future resource needs in execution of the OBM System Work Plan. Each of the above contextual items is described and framed in Appendix Section 7.1(b).

This space intentionally blank

Deliverable 2: Current State Assessment

Section 2: Executive Summary

The Current State Assessment is the first report delivered to the Oregon Department of Revenue (DOR) under a contract resulting from a 2017 Legislative Budget Note (Budget Note). The Budget Note directed DOR to “contract for an Outcome-Based Management (OBM) assessment of the agency by a private firm.” Prior to the Budget Note, and in the midst of the Core System Replacement (CSR) rollout, DOR recognized through its own 2016 internal audit on performance management that it needed to “adopt a performance management system and governing framework that is ‘right sized’ for Revenue”, “develop a reporting tool”, “create appropriate benchmarks”, and “evaluate... whether performance metrics align with strategic plans and desired outcomes.” In April of 2018 the DOR leadership leveraged broader legislative assistance by filling the position provided by the Legislature to support OBM and subsequently issued the competitive procurement for OBM Assessment Services in May of 2018. The procurement award requires two content deliverables: a Current State Assessment and an OBM System Work Plan. This document addresses the Current State Assessment deliverable.

The Current State Assessment was conducted to:

- Understand DOR’s current practices relative to OBM
- Evaluate DOR’s readiness to develop an integrated OBM system
- Document observations of gaps that should be closed to achieve a successful establishment of an OBM system
- Provide options to begin closing the identified gaps

The Current State Assessment was conducted over eight weeks and employed two-pronged approach to assessing the environment:

Prong A) interactive engagement (involving approximately 100 internal and external participants and nearly 300 person-hours across interviews, meetings and Work Sessions);

Prong B) data review (covering audit documentation, DOR strategic planning material, DOR background documents, DOR metrics and measures and external metric material from peer states, an international entity and a proprietary repository of national experience.

Activities under the two-pronged approach were conducted at a level sufficient to understand the current state of DOR’s awareness of, effort toward and preparedness for OBM³ development and implementation.

The result of this approach is a Current State Assessment document which reflects the current level OBM practices within DOR and the analysis of DOR’s readiness (at both the division and enterprise levels) to develop an integrated OBM system. Documenting the current state establishes a starting point for the journey to an integrated OBM system, while developing maturity and readiness targets places bounds on the destination.

Reviewing the current state of OBM practices within DOR includes two areas of understanding. The first area is an assessment of strategic planning processes (**Section 3.1** of this report) and identification of potential objectives aligned to DOR’s current draft Strategic Priorities and Core Business Outcomes (**Section 3.2**). The second area is an assessment of the alignment between the currently tracked metrics

³ While the Agency has taken some steps, in some divisions and sections of the department there was a clear need to establish common understanding, adequate infrastructure and standardized approaches such that a deeper dive into exhaustive detail of activities would not likely yield substantially different near-term observations on their needs.

Deliverable 2: Current State Assessment

and KPMs to the Strategic Priorities, and how these metrics compare to those tracked by peer states (**Section 3.3**).

The readiness assessment includes qualitative assessment of the maturity of the current people, process, and technology capabilities within each division (**Section 4.1**), as well as the overall organizational readiness to develop an integrated OBM system assessed against leading practices (**Section 4.2**). The divisional and organizational readiness assessments assign a quantitative value (i.e., a rating) to the qualitative assessment for easier understanding of the difference between where DOR is currently and recommended future state targets. Both assessments also identify gaps in maturity to support future OBM activities.

Overall, DOR's OBM current state can be described as forming. The agency is data rich, but information challenged. Converting the data effectively and using it to drive decision making to achieve Core Business Outcomes are key. DOR has taken steps to prioritize, gather and understand its data and convert it to information – this can be seen in the use of its Hotsheets and KPMs. But these actions fall short as the alignment of that data to Core Business Outcomes is unbalanced. The current challenge lies in the lack of comprehensiveness, consistency and maturity of those actions. Establishing well-defined processes, practices, roles and responsibilities as well as refined metrics and monitoring approaches that are transparent throughout DOR will go a long way in establishing a culture of OBM.

The results of the assessment provided the following insight into DOR's current state.

Current State of OBM Practices

While DOR has completed some initial efforts to assess what is strategically important to the agency, the strategic planning processes are currently not well defined. Strategic planning activities do not follow a documented, repeatable process, and the core activities (refining and monitoring) are not conducted at regular intervals. As a result, strategic planning becomes a focus in response to existing challenges and thus strategic priorities are oriented toward known issues rather than focused on proactively defining the desired future of the agency. Additionally, a common understanding of the Strategic Priorities or Core Business Outcomes is not widely held across the organization.

When testing the alignment of the Hotsheet metrics to Core Business Outcomes, it became clear that different business units within the agency gravitated to different outcomes. This produces a circumstance where some business outcomes are heavily focused on (as evidenced by the existence of metrics that are aligned to them), while other business outcomes are unaddressed, i.e., where no metrics are aligned to them. For example, during the Work Sessions, the Work Group consisting of core business divisions focused on the Objectives that aligned to the business outcomes of Enforcement and Voluntary Compliance, while cross functional divisions/sections focused mainly on objectives related to Voluntary Compliance business outcome however no division or function prioritized addressing Equity and Uniformity. This imbalanced or inconsistent focus does not appear to be the result of collective or deliberate decision making, DOR should develop processes that provide a consistent approach to identifying and prioritizing the business outcomes across the enterprise as appropriate to the respective business unit.

DOR uses two primary tools for tracking performance: KPMs and Hotsheets. The former is published to external stakeholders in an Annual Performance Progress report, while the latter are circulated within the agency and utilized internally during RLT leadership and Division management meetings. While each provides value, that value is not optimized for impact in the decision making across the levels of the agency. Each of these tools is discussed in turn below.

Effective KPMs typically align to and support strategic direction of an agency. In DOR's case, KPMs should align to the Core Business Outcomes. However, the analysis found that the 11 KPMs are, in some cases, only partially aligned across the Core Business Outcomes. For example, the core business outcome of Voluntary Compliance has only partial alignment with two KPMs (KPM #2 and #5). Alternatively, Enforcement has multiple, fully aligned KPMs associated to it. DOR acknowledges that the KPMs should be redefined and more clearly aligned as they continue to refine their Strategic Priorities. Furthermore, the target measures for some KPMs are set at levels that exceed industry standards, which

Deliverable 2: Current State Assessment

sets the agency up for a high likelihood of failure. This is not to say that DOR cannot or should not set a higher bar for success than the industry; rather, these instances should be understood as stretch targets. Measures that appear seemingly unachievable can have a negative impact on morale and productivity. To mitigate this, DOR might consider applying both expected performance and stretch performance targets.

Analysis of DOR's Hotsheet metrics against seven characteristics, i.e., number and type of metrics, correlation, stratification and alignment, targets and action plans, revealed the following: seven divisions/sections are tracking over 160 metrics across 16 Hotsheets. While many of the reported metrics serve to inform important operations management functions, few are measures of outcomes. Those that *are* higher-level outcome measures are not stratified into reports appropriately to guide a strategic conversation across the executive team. The metrics captured today do not necessarily tell a division level business story; nor is a cross-agency picture painted by which progress can be assessed. Many of the 160 metrics are not aligned to any of DOR's Core Business Outcomes or Strategic Priorities, and – as with the KPMs – some Core Business Outcomes have few metrics aligned to them. Additionally, only 20% of the metrics had an associated target, no metrics were found to have associated action plans for course correction, and just one metric had a narrative explanation of recent performance. These characteristics, are considered leading practices for effective OBM management and monitoring. These findings indicate a need to review and rationalize Hotsheet metrics by evaluating those metrics for alignment to Strategic Priorities, stratifying metrics for reporting to executive audiences and increasing the decisional value of the metrics by establishing targets, providing narratives, and documenting action plans. DOR should also consider establishing a structured monitoring and reporting process for Hotsheets.

Readiness Assessment

Results from the readiness assessment of divisions/sections reflect the inconsistency associated with the strategic planning and metrics management. The divisions and select key sections were evaluated across dimensions of “people”, “process”, and “technology” (discussed in depth in **Section 4.1**). On a four-point maturity scale for each of these dimensions, this analysis suggested that divisions/sections ranged from “Limited” (1) to “Performing” (3), while no area was found to be “Leading” (4). Divisions with a “Performing” rating executed certain elements of OBM consistently, though with room to implement additional leading practices. Divisions/sections that rated relatively higher in the “People” dimension demonstrated leadership, managerial understanding and commitment to OBM, with some amount of defined roles, responsibilities, and accountability structures for OBM activities. Divisions/sections that rated relatively higher in the “Process” area demonstrated the capability to develop, select and prioritize outcome metrics and associated targets with periodic reviews for improvement. Finally, divisions/sections that rated relatively higher in the “Technology” dimension used tools to gather, analyze, and present OBM data with a low need for manual intervention. In short, the varied nature of each division/section's capability and capacity is not unexpected or uncommon where there is a lack of enterprise level governance.

The overarching conclusion here is that while no division/section is operating at the necessary level of performance currently, the high relative maturities within the Business Division, Communications Section, and Personal Tax and Compliance Division indicate their capabilities may be leveraged to help other divisions improve. The divisions/sections with the highest overall gap and highest target maturity scores would benefit from this expertise the most initially, which include the Processing Center Section, Property Tax Division, and Financial Services Division. A summary view of this assessment is shown below.

This space intentionally blank

Deliverable 2: Current State Assessment

Table 2 Summary of Division/Section Current State OBM Maturity

Division	Section	Current Maturity			Target Maturity	Gap ⁴
		People	Process	Technology	All Areas	
Business Division	-	3	3	3	4	1.00
Executive Division	Human Resources (HR) Section	2	3	2	4	1.67
	Communications Section	2	2	3	3	0.67
	Research Section	2	1	1	3	1.67
IT Division	IT Services (ITS) Division	2	2	2	3	1.00
	Processing Center (PC) Section	2	2	2	4	2.00
Personal Tax and Compliance (PTAC) Division	-	2	2	3	4	1.67
Property Tax Division	-	2	2	2	4	2.00
Financial Services Division	-	1	1	1	3	2.00

Similarly, the detailed assessment of organizational readiness (**Section 4.2**) compares DOR's current performance as an entire agency against 29 leading practices. The result is an enterprise-wide gap analysis. Although DOR has gaps in each of these 29 areas, not all gaps areas should be immediately remedied. This analysis suggests that the agency should focus on improving the strategic planning process, establishing a governance structure to guide ongoing operations of OBM, developing and using a framework to select and prioritize metrics, and creating a master data management strategy, discussed further below.

⁴ The gap score for each division/section is the difference between the Target Maturity rating across all areas minus the average score of people, process, and technology. Note, as such, that the color scheme for the Gap column is inverted: a smaller number represents a smaller gap to be closed, and thus a better current condition for DOR.

Deliverable 2: Current State Assessment

Table 3 Summary of Enterprise-wide Readiness Assessment

Components	Capability	Average Current State Score	Average Target	Average Gap ⁵
Component 1. Defined Outcome-based strategic priorities that cascade down to goals and objectives within and across the agency	1.1 Strategic Planning & Prioritization <i>(4 elements)</i>	1.75	3.75	2.00
	1.2 Outcome-Based Management System Evaluation <i>(3 elements)</i>	1.00	3.33	2.33
Component 2. Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes	2.1 Metrics Selection and Alignment <i>(4 elements)</i>	1.75	4.00	2.25
	2.2 Outcome-Based Management Processes and Tools <i>(3 elements)</i>	1.00	3.33	2.33
	2.3 Analysis and Reporting <i>(5 elements)</i>	1.60	3.60	2.00
Component 3. Practices related to governance, roles/responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the management system	3.1 Governance <i>(4 elements)</i>	1.75	4.00	2.25
	3.2 Communication and Training <i>(3 elements)</i>	1.33	3.66	2.33
	3.3 Monitoring and Improvement <i>(3 elements)</i>	1.00	3.00	2.00

Conclusion

Collectively, the observations and key opportunities derived from the two areas of the Current State Assessment of OBM at DOR lead to cross-cutting enterprise-level opportunities. While those opportunities include both leveraging existing technology tools and potentially considering new ones, there are significant non-tool initiatives that, if implemented, can move the agency forward on the OBM maturity path. These efforts require a consensus driven approach, possible organizational restructuring and a commitment to communications and continued organizational change management across the agency. These initiatives include:

1. **Strategic Planning:** Current strategic planning efforts are ad hoc and reactive. DOR should develop a consistent, well-defined strategic planning process and establish an updated set of

⁵ Note that the color scheme for the Gap column is inverted: a smaller number represents a smaller gap to be closed, and thus a better current condition for DOR. Also note that the “best” possible score for the average gap is a 0 – which would coincide with a fully green color shading – and the “worst” possible score is a 3 – which would coincide with a fully red color shading.

Deliverable 2: Current State Assessment

Strategic Priorities (and possibly refined Core Business Outcomes) to be communicated internally. Next steps include an opportunity for DOR to document and execute a comprehensive forward-looking strategic planning process to finalize the agency strategy and align on Strategic Priorities.

2. **OBM Governance:** DOR should establish OBM governance processes that can guide the management of an OBM system. Governance will need to address three components:
 - a. Organizational Ownership: No governance body at DOR today has defined authority over and accountability for operationalizing OBM. To advance OBM, clear executive sponsorship and governance authority are needed in combination with documented expectations. This structure will also need to define how OBM governance is integrated into broader agency-wide governance.
 - b. Resourcing, Roles and Responsibilities: DOR divisions/sections have not designated resources to support OBM in the absence of a defined governance structure and expectations. Resources supporting OBM processes and reporting within each division/section that is accountable for outcomes are needed. Once established, the OBM governance body has an opportunity to determine the roles and responsibilities outside the governance body that are required for the success of OBM and assist in prioritizing resources who will be accountable for this work. This may include reallocating existing resources or identifying additional or “net new” resources
 - c. Processes and Monitoring / Accountability: There is no formal process at DOR to systematically monitor and report on metric performance, determine course correction plans when needed, and ensure accountability for improvements in results. Standardized processes for reporting, development of course correction plans, monitoring and communicating progress, and holding responsible parties accountable are necessary for the efficient operation of an OBM system. DOR's OBM governance body should define processes incorporating leading practices that will support ongoing monitoring, accountability and improvement.
3. **Metrics Framework:** Currently, each division/section selects metrics for inclusion on Hotsheets organically without a common method to identify, select, evaluate and/or weight/prioritize metrics. Metrics reported to the OBM governance body need to provide a clear agency-wide picture of progress against agreed strategic priorities. There is an opportunity to make near term improvements in how metrics are selected based on alignment to Strategic Priorities and Core Business Outcomes, and to stratify metrics that are escalated to the RLT using a metrics framework. A next step is to develop a metrics framework to evaluate, prioritize, and operationalize metrics, which will be part of the upcoming OBM System Work Plan deliverable within the OBM Operating Model.
4. **Reports Rationalization and Validation:** There are currently more than 500 reports in the GenTax system. Many reports lack adequate metadata and descriptions to enable broader use. DOR has an opportunity to validate and rationalize the reports in GenTax to increase availability, usefulness and accessibility of existing performance information. Going forward there is a need to create or leverage capabilities of tools (which may or may not be in DOR inventory) that can stratify data access and visualization by key levels (executive, management and operations). These tools should support interaction (multiple views) and dimensional analysis by business users.
5. **Master Data Management Strategy:** Existing data standards, catalogs, and dictionaries do not provide a basis for full confidence by all users of reports and queries developed to capture metrics data. In order for DOR to take action based on the OBM produced insights, there must be trust that the data extracted from the systems of record and used to calculate metrics is accurate. DOR has an opportunity to develop and execute a master data management strategy to increase confidence and reliability of the report outputs that will help better enable decision making.

Deliverable 2: Current State Assessment

DOR is intent on implementing an effective and integrated OBM system. DOR teams have identified and designed metrics, reported on those metrics and, in some instances, used those metrics in varying degrees to inform decisions and actions. Unfortunately, these efforts have been largely individually executed by business units and more through a functional (tax type) lens rather than an agency-level outcome-based lens. The next level of maturity, and thus DOR opportunity, is to structure, organize and align these efforts against a common set of outcomes and to identify a common set of practices that will be used to establish, monitor and report on progress. That ability to establish the common practices and to reach agreed upon approaches, standards and requirements is simultaneously hard work – as philosophies and opinions will need to be facilitated and bridged – and yet very achievable given adequate priority, resources and time.

This space intentionally blank

Deliverable 2: Current State Assessment

Section 3: Current State of Outcome-Based Management

Sections 3.1 through 3.3 detail the analysis and conclusions relating to DOR's Strategic Planning process, Strategic Outcomes and currently tracked metrics.

More specifically, this section documents the current state of OBM at DOR based on data gathered and analyzed from agency documents, executive and stakeholder interviews, and project activities including the leadership Visioning Lab and an employee based Work Sessions populated by participating employee Work Groups. An understanding of OBM as currently practiced within DOR today is a critical input into the planning process for an integrated OBM system. This view of the current state of OBM is predicated on the data and information made available through the data gathering process. It provides all stakeholders a common baseline from which further work to mature OBM can begin. It also identifies areas where significant differing views about the current state arose so that they may be addressed to best enable the agency to move forward with development of an integrated OBM system.

The current state of OBM at DOR includes an assessment of three increasingly granular layers of strategy, objectives, and metrics as well as a look at the infrastructure for managing OBM.

- At the strategy level (**Section 3.1**), this assessment focused on DOR's strategic planning processes. These processes led to DOR's current draft strategic framework. The outputs of that framework (the initial documentation which reflects the Strategic Priorities and Core Business Outcomes) were reviewed to determine the degree to which desired agency results and outcomes were aligned to the Strategic Priorities.
- Next, an analysis of current and potential agency objectives occurred (**Section 3.2**). DOR did not have fully established objectives so initial objectives were identified for prioritization by leadership during a facilitated Visioning Lab. These initial objectives were used by the Work Groups during the Work Sessions as basis for selecting areas of priority. This two-step process provided insight into the alignment between the priorities of DOR leadership, the Work Group participants, and DOR's draft Strategic Priorities.
- The third level of analysis addressed the type and alignment of DOR's current Hotsheet metrics to both the strategic framework (including the Strategic Priorities and Business Outcomes) and KPMs (**Section 3.3**). As noted previously, Hotsheets contain the current metrics that DOR uses to assess select activity occurring across the agency. Finally, a comparison of DOR's KPMs to performance metrics used by other state revenue departments as well as industry metrics was conducted to identify additional categories and metrics for consideration for inclusion in a comprehensive OBM system.

Overall, assessment of the current state of OBM at DOR revealed an opportunity for leadership to refocus on the agency strategy through a well-documented, comprehensive, and repeatable planning process. This process can focus on identifying specific strategic outcomes that represent achievement of priority agency results. There is also an opportunity to revisit, align and finalize agency objectives to ensure they reflect the Business Outcomes and support the agency's Strategic Priorities.

As it relates to metric identification, there is a substantial opportunity to improve the reporting and interpreting of performance metrics. While there are a significant quantity of metrics, these metrics are of differing value, particularly as it relates to usefulness to leadership's decision making. This efficacy imbalance in metrics is not uncommon in the early stages of organizations that are embarking on metric development. At the start, entities tend to select metrics based on what they can measure. This is a valuable experience as it helps the organization understand what data is being captured and what additional data may be helpful. Therefore, the next level of maturity looks to not only what can be measured but what should be measured. DOR can achieve this by identifying clear outcome measures

Deliverable 2: Current State Assessment

and stratifying current Hotsheet metrics toward the executive audience more appropriately. Additionally, DOR has an opportunity to work with the Legislature to align, revise and define KPMs and the associated targets based on industry standards.

3.1 Assessment of Strategic Planning Processes

The goal of OBM is to enable an agency to clearly evaluate progress toward achieving its strategic priorities. The foundation of an integrated OBM system is defined in strategic priorities that cascade down and across the agency and reflect the purpose and intended results from agency activities, management decisions and operational plans. As such, it is important that agencies have an established practice and process for not only establishing the strategy but also revisiting the strategy on a cyclical basis. This analysis revealed that, when compared to this standard, there are gaps in DOR's current strategic planning process. These gaps create opportunities for growth and development.

The table below summarizes the most important of the observations and opportunities for the Strategic Planning process.

Table 4 3.1 Summary

Summary of Observations	Key Opportunities
<ul style="list-style-type: none"> • Strategic planning process does not follow an existing, repeatable process and is reactive rather than proactive • Planning is top down, while information is provided bottom up, leading to misalignment • Further work is needed to link the Strategic Priorities to measurable outcomes and metrics 	<p>Finalize agency strategy</p> <ul style="list-style-type: none"> • Define Comprehensive Strategic Planning Process and Cycle • Conduct a full Strategic Planning Cycle (including goal setting) <p>Implement agency strategy and integrated OBM through selected governance structure</p> <ul style="list-style-type: none"> • Execute defined governance processes to evaluate metrics, create and monitor action plans, maintain accountability, and foster continuous improvement • Identify measurable outcomes and metrics to track progress • Align resources to support achievement of outcomes • Collect data to support metric reporting

DOR's most recently completed strategic plan (August 2015), provides a strategic structure with multiple layers. The 2015 plan considers DOR's mission, vision, and values as well as five Core Business Outcomes, which include the following:

- Voluntary compliance
- Enforcement
- Employee Engagement
- Customer Experience
- Equity and Uniformity

Deliverable 2: Current State Assessment

The plan outlined division-level strategies and section-level initiatives to advance each outcome area. Setting aside the question of whether an updated strategic plan is required, the challenge is that there has not been (nor is there currently) a structure for tracking the progress on executing strategies and initiatives.

There is renewed focus on strategic planning related activity at DOR. During the late summer of 2018, the RLT identified three initial Strategic Priorities: to optimize collections⁶ efforts, cultivate operational excellence, and enhance taxpayer assistance. The RLT affirmed these priorities, and reached agreement that the Strategic Priorities fit within the agency's mission, vision, and values and the five core business outcomes. DOR intends that core business outcome areas are inclusive of all the work the agency does to accomplish their mission, while the strategic priorities represent where the agency is investing effort to increase performance and advance the agency mission and vision. The RLT continued their ongoing preliminary work, which is not reflected in the figure below, to refine the scope and identify high-level themes reflective of desired results for each strategic priority. These themes were condensed into 3-4 goals per strategic priority. Finally, the RLT drafted 3-4 desired outcomes that would result from achievement of each goal.

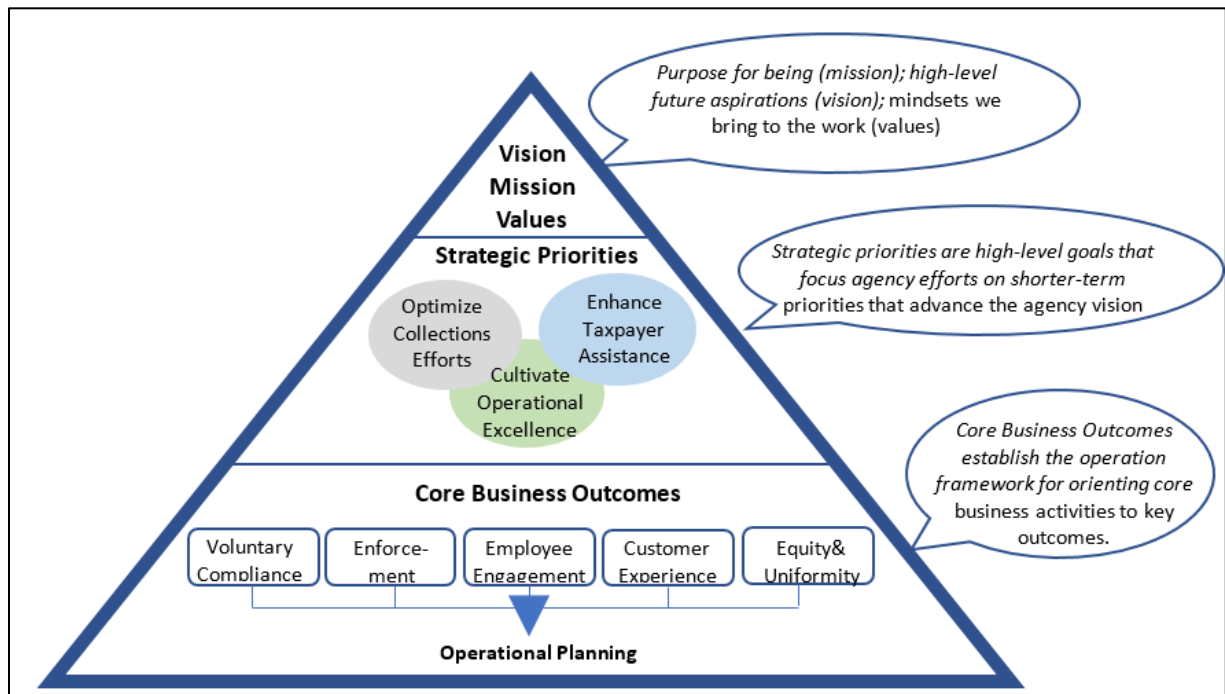


Figure 2 Current State Draft DOR Strategic Framework

Beyond the affirmation of the Strategic Priorities, current strategic planning efforts are conducted on an ad hoc and reactive basis. There is not a continuous strategic planning process nor resources to support or owners to manage that process. There has been progress on sourcing these activities, in 2018 the Legislature provided a position to coordinate outcome-based management activities. While the role reports to the Director. The activities conducted under role are largely executed without formally established strategic practices, clear OBM governance or support staffing.

⁶ As defined in the draft strategy document provided by DOR: Optimization of collections will close collections reporting gaps, expand collections methods, improve collections metrics, and increase collections activity transparency.

Deliverable 2: Current State Assessment

To the extent there are strategic planning activities and efforts, they are currently concentrated at the leadership level, with limited input from management and employees. Objectives are largely decided by each division/section independently without structured development, cross agency collaboration or structured monitoring or accountability agency-wide, therefore there is inconsistency in the effort and the impact. Reporting processes also vary by division/section, and often include metrics which do not align to defined Strategic Priorities or Core Business Outcomes (see Section 3.4.1 for a more comprehensive analysis of this point). There is a culture benefit to the high degree of independence. Each division/section leader has a high awareness of and carries responsibility for the objectives they have identified. This awareness and commitment creates a general openness to a structured approach.

DOR leadership has committed to undertaking a more comprehensive strategic planning effort during the 2019 calendar year to involve a broader group of internal and external stakeholders. In addition to including a broader range of stakeholders, DOR should establish a standardized and continuous strategic planning process that establishes clear mission, vision, values and goals to which the outcome metrics can be aligned.

Key drivers of successful OBM strategic planning efforts include:

- **OBM Governance:** Establishment of a governance body with the authority to define the ongoing strategic planning process to support OBM, set timelines for implementation of the process, and establish accountability.
- **Outcome definition:** Both external benchmarking and idea generation from within the agency are needed to identify a broad list of potential objectives for leadership consideration and prioritization. The goal is to select outcomes which cascade down and across the agency from the Strategic Priorities.
- **Stakeholder involvement:** The planning process must integrate input from influential internal and external stakeholders to ensure their expectations are reflected in the Strategic Priorities.
- **Data:** Planning efforts consider availability, quality, and accessibility of data for integration into the OBM system. Availability of peer or industry data to benchmark performance targets is also a consideration.

3.2 Assessment of Agency Alignment with Strategic Priorities and Core Business

Outcomes

The purpose of the Visioning Lab and Work Session activities discussed in this section was to identify and prioritize a set of potential objectives aligned to the Core Business Outcomes and draft Strategic Priorities. The potential Objectives, developed through the leadership Visioning Lab were designed to inform and shape the Work Session activities and not to be considered the final Objectives output. The Work Groups would then use the potential Objectives to first prioritize the objectives they saw as most relevant and then to identify potential drivers and levers related to selected objectives. Both activities were designed to capture the input of the key stakeholders who have the most influence over achieving these priorities.

Deliverable 2: Current State Assessment

Table 5 3.2 Summary

Summary of Observations	Key Opportunities
<ul style="list-style-type: none"> • Participants in the Visioning Lab categorized all brainstormed objectives in the areas of Customer Service, Employee Engagement and Equity and Uniformity into the “Cultivate It” type. Because Cultivate requires improved language, this suggests a lack of clarity for the messages in these areas. • Most of the objectives selected by the Work Groups aligned to Customer Experience, followed by Enforcement and Employee Engagement. However, within Work Groups organized by function, the distribution of objective alignments changed, suggesting each functional unit sees itself as having a unique focus versus an agency-wide perspective. Each area should be able to understand their contribution to every area. • Participants in the Working Group sessions did not select any objectives aligned to the Core Business Outcome Equity and Uniformity. This raises a question as to whether there is common understanding of the definition or support for the outcome directly or whether Equity and Uniformity is perceived as embedded in a broader array of agency activities. 	<ul style="list-style-type: none"> • Complete currently ongoing work to affirm or finalize Strategic Priorities and Business Outcomes to inform the development of clear strategic objectives. Disseminate the selected framework definitions throughout the organization. • As the Objective definition work is finalized, determine DOR’s expectation for how each unit should prioritize Core Business Outcomes relative to the entire agency. • DOR should consider whether Equity and Uniformity may be better represented differently, e.g., as an agency-wide value, rather than a Core Business Outcome.

To assess the alignment of current metrics to strategic outcomes, two types of interactive sessions were conducted with DOR participants: an executive Visioning Lab and working group sessions. The Executive Visioning Lab was intended to support the RLT Leadership in further identifying the agency objectives underlying the strategic framework. The Work Groups were employed to “test” the RLT vision by first selecting priority Objectives from an initial list and then defining Drivers and Levers by which to achieve the selected objectives. For the Current State Assessment, the value of these interactive sessions was to ascertain the alignment of the objectives selected by the participants to DOR’s strategic framework.

The following pyramid illustrates how the Visioning Lab and Work Session approach leverages and complements the efforts already undertaken by DOR. Blue areas correspond to the work undertaken during the Visioning Lab, while green areas were addressed in the Work Groups. As shown in the Figure 3, Identifying (prioritizing and aligning to) Objectives are steps in the Current State Assessment as the output enables an understanding of the level of agency-wide understanding and alignment on priorities. The work to brainstorm Drivers and Levers acts as an input to identifying areas to measure that are impactful for employees. These inputs will be utilized in the upcoming OBM System Work Plan deliverable.

The session activities are detailed below.

Deliverable 2: Current State Assessment

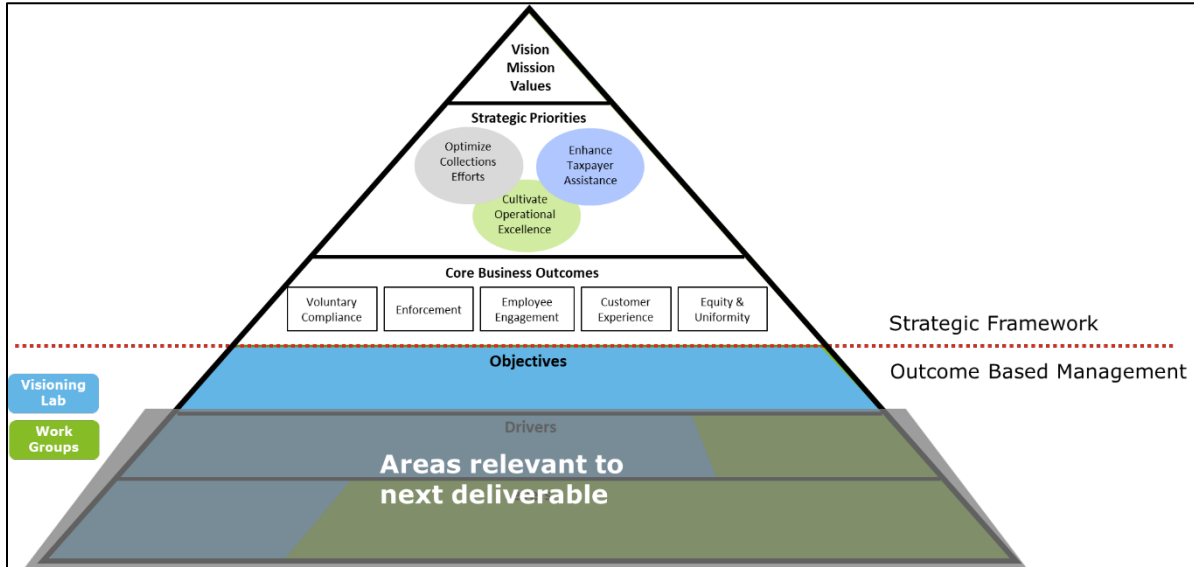


Figure 3 How the Visioning Lab and Work Session Activities Complement DOR's Draft Strategic Framework

Leadership Visioning Lab

The Visioning Lab consisted of an executive-level workshop with the purpose of validating and articulating the Objectives that underlie DOR's current strategic thinking. It included a series of dynamic, interactive exercises that allowed DOR leadership to critically consider the factors that constitute agency success. The outcomes from this workshop included not only cross-pollination among leadership perspectives, but also an end-to-end understanding of DOR's strategic approach. The main output from the Visioning Lab was a set of initial Objectives based on input from the RLT to inform the Work Sessions for employees. Figure 4 below is a table that summarizes these resulting initial Objectives from the Visioning Lab into two categories.

Keep It	Cultivate It	
<ul style="list-style-type: none"> • Voluntary Compliance: <ul style="list-style-type: none"> • Connect with every person that should file • Timely filing and payment of tax • 99-100% of people pay in full by 4/15 • Consistently identify and track non-compliance • Enforcement: <ul style="list-style-type: none"> • At least 80% of delinquent taxpayers pay / comply • Collect maximum amount of dollars to fund public service 	<ul style="list-style-type: none"> • Customer Experience: <ul style="list-style-type: none"> • Proactively provide information customers need • Easily accessible and timely • Consistent experiences • 100% of calls answered in 5 mins • Enforcement <ul style="list-style-type: none"> • Identify non-filers and verify they file • Understand consequences of enforcement actions • Select the right cases for audit 	<ul style="list-style-type: none"> • Employee Engagement: <ul style="list-style-type: none"> • Employer of Choice • Equity and uniformity: <ul style="list-style-type: none"> • Taxpayers treated fairly, equitably, and consistently • Consistent, reliable processes • All taxpayers receive the same opportunities to comply

Figure 4 Results from Visioning Lab

Deliverable 2: Current State Assessment

*Objectives in the **Keep It** category:* Participants identified these Objectives as well-articulated and actionable.

*Objectives in the **Cultivate It** category:* Participants identified these Objectives as directionally accurate, but in need of refinement.

The following table visualizes of the alignment of the Objectives above against the Core Business Outcomes identified with DOR's draft strategic framework. It also shows which Objectives fell into each of the 'Keep It' and 'Cultivate It' categories.

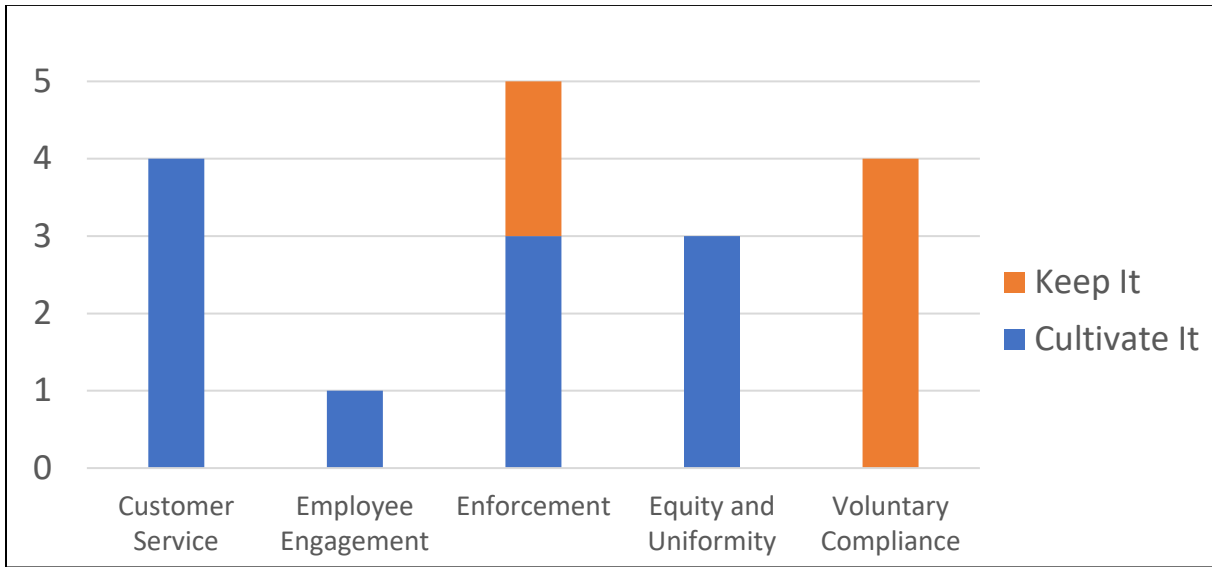


Figure 5 Count Alignment Visioning Lab Objectives to Business Outcomes

Per Figure 5 above, most of the Objectives identified in the Visioning Lab were aligned to Enforcement, and they represented a mix of Keep and Cultivate. In contrast, only one identified Objective aligned to Employee Engagement. While Customer Service and Voluntary Compliance were also represented in the Objectives identified, all the Customer Service Objectives were in the Cultivate It category, and all the Voluntary Compliance objectives were in the Keep It category. The "Keep It, Cultivate It, and Kill It" exercise⁷ results reflect the need for DOR to define/refine its strategic Objectives. This insight is particularly pertinent in the areas of Customer Service, Employee Engagement and Equity and Uniformity where the group indicated Objectives needed further cultivation.

Finally, the table below shows a suggested alignment of the initial potential Objectives (as derived from the Visioning Lab and industry practices) to DOR's Strategic Priorities. The alignment is suggested because the strategic Objectives are not mutually exclusive. More specifically, Cultivating Operational Excellence could encompass most of the Objectives aligned to the other two strategic Objectives. The rationale for the chart below was to align revenue increasing activities to Optimize Collections Efforts, Objectives that touched on customer experience to Enhance Taxpayer Assistance, and the remaining operational Objectives were aligned to Cultivate Operational Excellence.

⁷ *Keep It Cultivate It or Kill It* is a lab activity designed to support filtering and prioritization of a brainstormed list of ideas- in this case possible objectives for DOR. Those ideas that are filtered out are those that fall into the "kill it" category.

Deliverable 2: Current State Assessment




Objective	Cultivate Operational Excellence	Enhance Taxpayer Assistance	Optimize Collections Efforts
Connect with every known individual that should file		1	
Enhance employee career paths	1		
Expand audit presence			1
Increase amount of customer calls resolved on first contact		1	
Increase compliance following audits that reveal violations			1
Increase compliance of delinquent payers			1
Increase customer satisfaction ratings		1	
Increase revenue collections			1
Increase the percentage of filers who submit taxes electronically			1
Increase the usage of self-service options		1	
Increase voluntary compliance rate			1
Increase workforce capacity to effectively execute their duties	1		
Maximize payment of taxes by April 15th			1
Minimize fraud			1
Minimize the tax gap			1
Optimize the consistency and quality of customer experience		1	
Optimize time required for case resolution	1		
Provide all taxpayers equal opportunity to comply	1		
Reduce average time to process returns	1		

Figure 6 Alignment of Visioning Objectives to Strategic Priorities

Work Sessions

The Work Sessions occurred subsequent to the Visioning Lab. These sessions allowed DOR’s participating employees engage in a Work Group to collaboratively identify and operationalize potential key objectives from the perspective of their function. To achieve this, each Work Group identified the drivers and levers for each of the Objectives they selected from a set of 19 standard Objectives. Note that the selection of the Objectives also doubled as a prioritization opportunity as each group was given the opportunity to select the three Objectives they believed were most important or impactful for DOR.

To generate a list of working Objectives for the Work Groups several inputs were considered: the Objectives resulting from the Visioning Lab, industry leading practices and insights from Knowledgebase of standards. To avoid introducing bias into the selections, their categorization by core business outcome was removed, and it was explained to participants that these Objectives were not organized, ranked or prioritized in any way. The list of Objectives includes at least one Objective aligning to each of DOR’s five Core Business Outcomes. Finally, while the list of 19 potential Objectives was provided to participants in a pre-defined way, participants could have proposed additional potential objectives if needed.

- 
Objective: Refers to a concrete result or identifiable **end state** that an organization aspires to achieve through the organization and direction of its efforts and resources
- 
Driver: Refers to the factors that can **directly influence** the success or failure of an objective
- 
Lever: Refers to what we can control (**make them increase or decrease, start or stop**) to influence the drivers

This space intentionally blank

Deliverable 2: Current State Assessment

Potential Objectives	
<ul style="list-style-type: none">• Expand audit presence• Increase the usage of self-service options• Maximize payment of taxes by April 15th• Increase voluntary compliance rate• Minimize fraud• Increase compliance of delinquent payers• Connect with every known individual that should file• Increase amount of customer calls resolved on first contact• Increase revenue collections• Reduce average time to process returns	<ul style="list-style-type: none">• Optimize the consistency and quality of customer experience• Increase compliance following audits that reveal violations• Increase customer satisfaction ratings• Increase workforce capacity to effectively execute their duties• Increase the percentage of filers who submit taxes electronically• Enhance employee career paths• Provide all taxpayers equal opportunity to comply• Minimize the tax gap• Optimize time required for case resolution

Figure 7 Potential Objectives Selection List

Participants within the Work Groups were selected to provide a representative cross-section of the agency. The participants were aligned into three main groups each of which is described below.

- **Core Business Groups.** This includes *Property Tax, No File/Audit, and Policy/Research*. These are DOR divisions that perform self-contained, end-to-end functions
- **Cross Functional Groups.** This includes *Tax Collection and Tax Processing*. These are business units within the agency that perform a similar service for different parts of the core business
- **Support Services Group.** This includes *FSD, IT and HR*. These teams provide the necessary auxiliary resources and supplemental work to enable the other two Groups

Each Work Group selected a subset of the Objectives and then brainstormed drivers and levers behind each selected Objective. Figure 8 below (Work Session Objective Selection Results) represents the Objectives selected by each Work Group and alignment of those Objectives to the core business outcome areas. The grey areas indicate Objectives that were not selected.

This space intentionally blank

Deliverable 2: Current State Assessment

Outcome Areas	Objective Selected	Core Business			Cross Functional		Support Services		
		Property Tax	Non-Filer/Audit	Policy/Research	Tax Processing	Tax Collections	Financial Services Division	Information Technology Services Division	Human Resources Section
Customer Experience	Increase Amount of Calls Resolved in First Contact					✓			
	Increase Customer Satisfaction Ratings	✓	✓	✓					
	Increase Usage of Self Service Options				✓	✓		✓	
	Optimize the Consistency and Quality of Customer Experience	✓			✓		✓		
	Optimize Time Required for Case Resolution	✓							
	Reduce Average Time to Process Returns				✓				
Employee Engagement	Enhance Employee Career Paths	✓						✓	✓
	Increase Workforce Capacity to Effectively Execute their Duties	✓		✓		✓	✓	✓	
Enforcement	Expand Audit Presence		✓						
	Increase Revenue Collections	✓		✓		✓	✓		
	Minimize Fraud							✓	
	Increase compliance of delinquent payers								
	Increase compliance following audits that reveal violations								
Voluntary Compliance	Connect with Every Known Individual that Should File	✓	✓						
	Increase Voluntary Compliance Rate		✓		✓				
	Minimize the Tax Gap		✓	✓		✓			
	Maximize payment of taxes by April 15th								
	Increase the percentage of filers who submit taxes electronically								
Equity and Uniformity	Provide taxpayers equal opportunity to comply								

Figure 8 Employees Work Session Objective Selection Results

Key observations as they relate to the Core Business Outcomes

- Customer Experience.** The Work Groups exhibited a focus on Customer Experience, as noted by the relatively frequent selections of the Objectives *Optimize the Consistency and Quality of the Customer Experience*, *Increase Customer Satisfaction Ratings*, and *Increase Usage of Self Service Options*.
- Employee Engagement.** There was also a focus on increasing workforce capabilities as shown by the frequency of selection of *Increase Workforce Capacity to Effectively Execute their Duties*.
- Voluntary Compliance.** Objectives aligned with Voluntary Compliance were associated with the Core Business and Cross Functional Groups, but not with the Support Services Groups.
- Equity and Uniformity.** None of the Work Groups opted to focus on this Objective, providing a potential insight that this core business outcome may be better represented as an agency-wide value, rather than a Core Business Outcome.

This space intentionally blank

Deliverable 2: Current State Assessment

The table below provides a summary of the most frequently selected Objectives. The green bars represent Objectives that were selected at least four times, while all the blue bars represent Objectives selected three times. Objectives that were selected fewer than three times are not shown in this table.

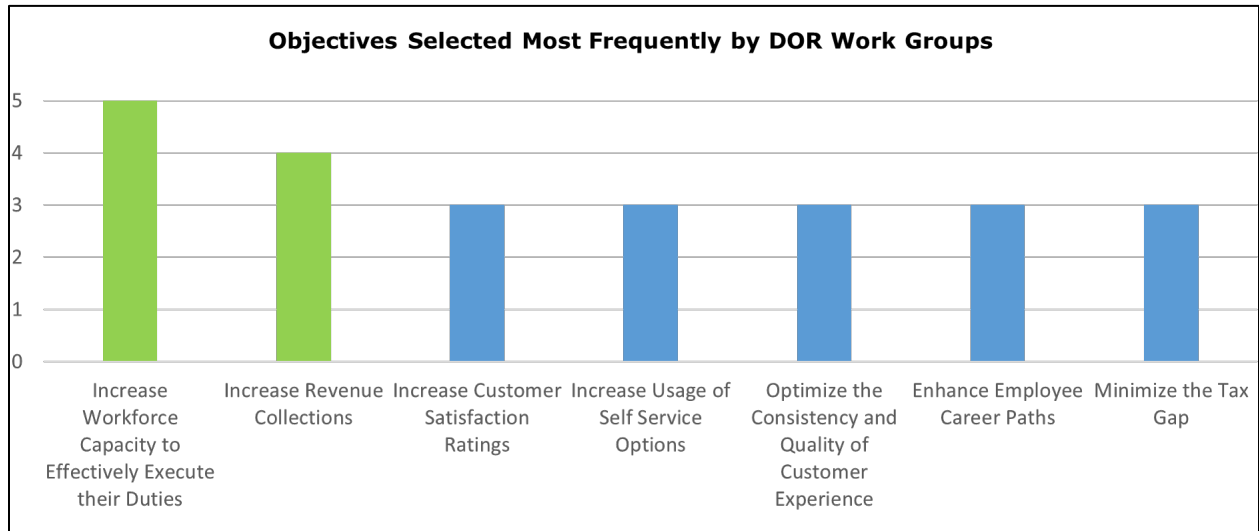


Figure 9 Objectives Selected Most Frequently by DOR Work Groups

The data in Figure 9 suggests that participating employees at DOR are interested in improving the capacity of its workforce to perform the core functions of the agency and to increase revenue collection. This insight serves as a frame of reference as the following alignment details are discussed below.

This space intentionally blank

Deliverable 2: Current State Assessment

General Alignment

The next discussion involves both the general and specific alignment of the objectives selected by the Work Groups to the Core Business Outcomes. The dashboard below provides a quick point of reference as to the overall alignment of all the Work Groups and how each individual category of Work Groups compares.

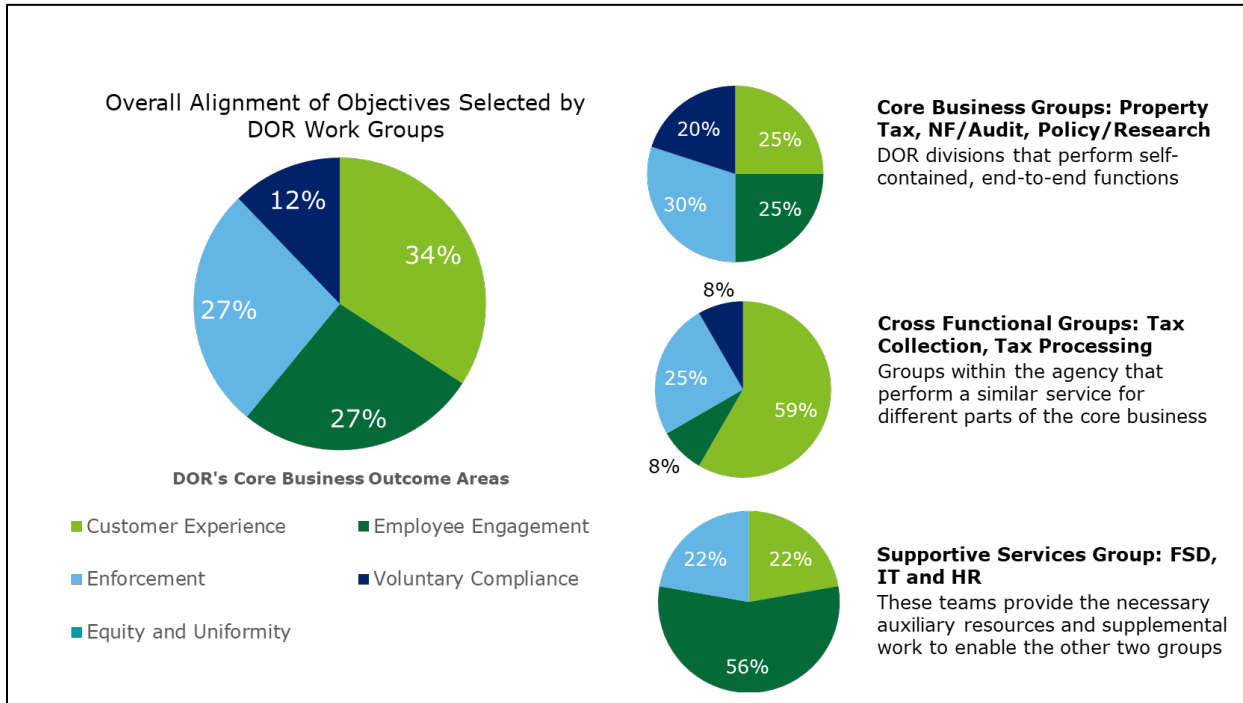


Figure 10 Alignment of Objectives Selected by Work Groups

Key observations as they relate to General Alignment

- Overall, the Work Groups selected Objectives aligned to Customer Experience
- Enforcement and Employee Engagement were each aligned to about a quarter of the Objectives selected
- Few Objectives selected were aligned to Voluntary Compliance
- No selected Objectives aligned to Equity and Uniformity

The Work Groups also revealed that DOR participating employees often acknowledge that there has not been sufficient energy focused on overall agency performance during the rollout of GenTax. Instead, over this period there has been focus on isolated areas of performance most directly impacted by the GenTax system. More specifically, it was pointed out that there is a general lack of understanding as to which measures should be considered important, how the results of those measures should be communicated to leadership, and what actions should be taken based on those results.

Observations and Feedback from Portland DOR Field Office Site Visit

As described in the approach, DOR's Current State Assessment included a field office visit to Portland. The OBM vendor assessment team spent half a day with a policy representative and participating employees representing three distinct teams: corporate audit, personal audit, and walk-in customer

Deliverable 2: Current State Assessment

service center. The purpose of the visit was to include a representative sample perspective of field office management and participating employees. The next paragraphs summarize key insights derived from this visit.

Strategic Priorities & Core Business Outcomes

- **Field office managers lacked a clear understanding of how to integrate Core Business Outcomes into their operations.** These managers are familiar with the Core Business Outcomes by name but did not feel ready to operationalize them in their day to day work. Nevertheless, this field office felt its strongest connection towards the Customer Service business outcome, as they believe their ability to directly interact with customers allows for an opportunity to educate the taxpayer.

Performance Metrics

- **The meaning of performance varies across DOR.** Depending on the field office or unit within DOR, success is defined differently. For example, for Corporate Income and Excise Tax, success means gaining compliance with filing and reporting obligations, whereas with Personal Income Tax, success means increasing enforcement mechanisms.
- **Differing opinions on the formality of performance standards for audits.** There are differences of understanding on how formal performance standards are between the field office and the central office. While the OBM system will not be focused on individual performance, the communication disconnect is an issue to be aware of during OBM system implementation.

A note on GenTax and Data

During the data gathering phase of the assessment, a subset of employees and leadership expressed differing opinions about their experience with the GenTax system. It should be noted that some divisions/sections (e.g., the Business Division) within the agency did not identify concerns with using the GenTax data. There are two issues over which there are divergent opinions. The first question relates to the access to the data within GenTax. The second issue relates to understanding the data within GenTax. The 2018 SoS DOR GenTax IT Controls audit states:

“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.”

That said, audits completed to date have not focused on data used for agency performance management and reporting contained in the GenTax system. Given the importance of GenTax as a contributing source of data that will be used as part of OBM, it is important to address the ability to effectively extract data from the system.

It was beyond the scope of this assessment to analyze and specifically document issues related to broader data management process and practice issues. However, some high-level exploration was necessary as the use of GenTax is an important component of DOR’s readiness to implement an effective OBM system. The exploration raised areas for deeper assessment pertaining to GenTax data including:

- **Report rationalization.**
- **Master Data Management (including data governance)**
- **Review of functionality of DOR’s current tool suite for visualization, publishing and reporting capabilities**

Deliverable 2: Current State Assessment

- **Additional training and organization change management**

These areas can be assessed concurrent to the design and development of the OBM system, particularly as the OBM system development activities include identifying and refining the broader agency strategy, OBM practices, procedures and identifying the agency’s organizational approach to OBM.

3.3 Assessment of Current Metrics

The analysis included an in-depth review of the metrics that DOR currently tracks, including both KPMs approved by the Legislature and metrics tracked on agency Hotsheets. Because Hotsheets are the current metric management approach, a deep dive to understand the metadata behind the metrics, and their alignment and value across the levels of the agency are all instructive to understanding where on the maturity curve DOR currently resides. This analysis focused particularly on the following:

- Hotsheets used by DOR, particularly as it relates to:
 - The degree to which the current metrics represent outcomes
 - The degree to which the metrics tracked on Hotsheets have targets, narrative explanations, and action plans
 - Whether, and to what degree, the metrics aligned to the Strategic Priorities and Core Business Outcomes as stated in DOR’s draft Strategic Framework
- KPMs, particularly as it relates to:
 - The alignment of the KPMs to the metrics found on Hotsheets
 - The alignment of the KPMs to the Core Business Outcomes
- How the current metrics tracked by DOR compare to peer states

Table 6 Assessment of Current Metrics Observations and Opportunities Summary

Summary of Observations	Key Opportunities
<p>Hotsheet Metrics</p> <ul style="list-style-type: none"> • A disproportionate number of the Hotsheet metrics, which are the primary source of organized measurement at DOR, serve an important operations management function, but they are not informative related to outcomes, nor are they stratified for executives • The metrics captured to do not necessarily tell a division level business story; nor is a cross-agency picture clearly painted by the metrics when considered in the aggregate <p>KPMs</p> <ul style="list-style-type: none"> • KPM level of granularity is too varied (i.e. some are too specific, others are too broad) 	<p>Hotsheet Metrics</p> <ul style="list-style-type: none"> • Hotsheets should be rationalized (even in the current complement) to arrive at a high value set of metrics • Ensure all retained metrics have targets, action plans • Stratify remaining Hotsheet metrics into strategic metrics for RLT consumption and operational metrics for divisional use <p>KPMs</p> <ul style="list-style-type: none"> • Collaborate with Legislative Stakeholders to improve alignment between Core Business Outcomes and KPMs

Deliverable 2: Current State Assessment

Summary of Observations	Key Opportunities
<ul style="list-style-type: none"> KPM targets are not based on industry benchmarks and are, in some instances, likely not attainable There is a lack of buy-in for certain KPMs; solutions to improve buy-in are not defined or agreed upon <p>Peer State Comparisons</p> <ul style="list-style-type: none"> The areas of publicly available metric focus vary significantly - unlike other professions, there are no national standards for what to measure for departments of revenue Appeals-related metrics appear to be widely tracked in comparator states, as evaluated with those states' annual reports and responses to the data request for this report 	<ul style="list-style-type: none"> Establish KPM targets based on industry benchmarks <p>Peer State Comparisons</p> <ul style="list-style-type: none"> Continue to evaluate publicly available metrics used by peer states for potential incorporation into DOR's measurements (Deliverable 3)

3.3.1 Hotsheets

As an agency, DOR began embarking on a transformation toward data informed decision making approximately five years ago. It is clear from an extensive review of currently used reports, which DOR calls Hotsheets, that the agency has made some progress in this regard. In particular, the agency has developed a considerable number of metrics which it reviews on a periodic basis. However, mature data analytics and data-informed decision making require that DOR (along with government as a whole) begin to rethink what is being measured, why it is being measured, and whether a given metric provides meaningful, strategic value.

An evaluation of currently tracked metrics is an important step toward understanding the extent to which DOR leverages data to make outcome-based decisions. In response to the data request, DOR initially submitted nine different Hotsheets for review. Upon further discussion it was determined there were seven additional Hotsheets to be considered, creating 16 in total. An extensive analysis of these Hotsheets showed that, since the second quarter of 2017, DOR has tracked 164 unique metrics across the agency⁸. These 164 metrics were evaluated against a set of dimensions discussed in detail below. Overall, the analysis revealed that Hotsheets do not generally provide strategically meaningful, outcome-based information to the Executive Leadership Team. Managing and reviewing 164 metrics (with limited visualization) likely results in the meaning of the data being lost as the detail is too granular and scattered across multiple reports which minimizes the effectiveness. These reports do provide benefits to other layers of the organization as they do capture ongoing operational data. This type of data is typically valuable to operational managers. Even if the quantity of Hotsheet metrics were decreased, there remain two significant challenges. The information contained therein does not consistently reflect, inform or report on information related to DOR's Strategic Priorities and Core Business Outcomes, nor is the

⁸ The analysis here does not evaluate the veracity of the data underlying these metrics, focusing instead on how the metrics are designed and operationalized from a functional view. More specifically, this analysis asks whether the metrics are aligned to the priorities, whether they measure outcomes, and so forth as outlined in opening of this section.

Deliverable 2: Current State Assessment

information in the Hotsheets displayed, or presented in a fashion that aligns with leading outcome-based reporting practices (e.g., there is no stratified executive view of the data).

The following table provides an overview of the Hotsheets that were analyzed in this assessment. The Hotsheets are organized below by the division that submitted them. Note that the “Title of Hotsheet” listed is a direct copy of the title provided within each document.

Table 7 Overview of Hotsheet Metrics

Division / Section	Hotsheet Topic Area	Title of Hotsheet	Number of Metrics / Percent of total DOR metrics
Business Division	Corporate and Estate Section	Oregon Department of Revenue Corporation and Estate Section Hot Sheet – June 2018	16 / 9.75%
	Other Agency Accounts (OAA)	OAA Collections Update – Quarter Ended June 30, 2017	7 / 4.27%
	State Lodging Tax (SLT) and Emergency 911 (E911)	Transient Lodging Tax And Tax for Emergency Communications - June 2017	6 / 3.66%
	Hazardous Substance, Petroleum Load, and Amusement Device (SPA) Financial Update	Hazardous Substance Fee, Petroleum Load Fee, and Amusement Device Tax - September 2017	8 / 4.87%
	Tobacco	Tobacco (Other Tobacco Products & Cigarette tax) – June 2017	9 / 5.48%
	Withholding and Payroll Tax Section (WPTS)	Withholding and Payroll Tax Section – March 2018	18 / 10.97%
Communications Section	Communications	Communications – April 2017 to August 2017	3 / 1.83%
Human Resources Section	Human Resources	Human Resources Section – Dashboard June 2018	23 / 14.02%
IT Services Division	GenTax Production Support	GenTax Production Support Summary as of August 31, 2018	11 / 6.70%
Processing Center Section	Processing Center	Quarter End Report – March 2018	7 / 4.26%
Property Tax Division	Support, Assistance, and Oversight (SAO)	Property Tax – Support, Assistance & Oversight Section January - June 2017	4 / 2.44%
	Valuation	Property Tax – Valuation Section April 2017 – September 2017	7 4.26%

Deliverable 2: Current State Assessment

Division / Section	Hotsheet Topic Area	Title of Hotsheet	Number of Metrics / Percent of total DOR metrics
Personal Tax and Compliance (PTAC) Division	Collections	PTAC Collections Section Update – August 2017	9 / 5.48%
	Personal Income Tax (PIT) Return Processing	2018 PIT Return Review	17 / 10.36%
	Personal Tax and Compliance (PTAC) – Compliance	Compliance Section Update – August 2018	7 / 4.26%
	PTAC Program Services	PTAC Program Services Update – Quarter Ended – April 2018	12 / 7.31%
Total			164 / 100%

Notably, of the nine DOR divisions / sections identified in the DED, only seven appear to use Hotsheets - Research and Financial Services did not submit Hotsheets for this assessment. The Business Division tracks the most metrics across these 16 Hotsheets (39% of the total), followed closely by the PTAC division (27% of the total), and HR (14% of the total).

The following figure shows a count of each division or section’s share of tracked metrics.

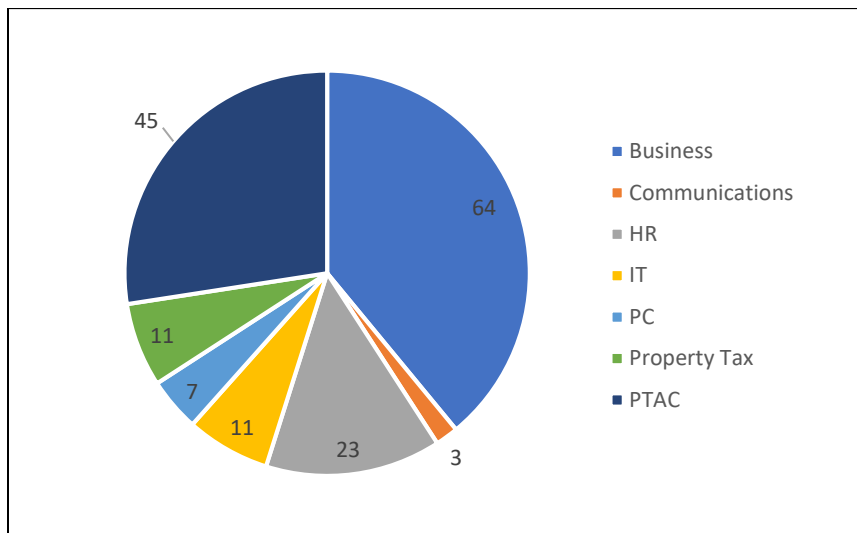


Figure 11 Count of Hotsheet Metrics Tracked by Division

The Hotsheet metrics were also analyzed along the following dimensions: Level, Target, Narrative Explanation, Action Plan, and Alignment (to Strategic Priorities and Core Business Outcomes).

Metric Level

Metrics can be described as measuring input, throughput, output, or outcomes. Each of the following “Metric Levels” is defined below:

- **Input:** Measures of requests for the agency to process, or resources needed to perform its functions (e.g. Number of incoming calls)
- **Throughput:** Measures that identify the rate at which the agency is turning inputs into outputs (e.g. Number of calls answered by staff)

Deliverable 2: Current State Assessment

- **Output:** Measures that capture the results of a process (e.g. Number of calls where a customer's question was resolved on first contact)
- **Outcome:** Measures that capture the organizational impact of a process (e.g. Percent of phone calls rated as excellent by customers)

Each of the 164 metrics on DOR's Hotsheets were analyzed for their level. Of the 164 metrics, 71 (43%) describe Throughput measures. Another 53 (32%) describe Outputs, while 25 (15%) describe Outcomes. The remaining 15 (9%) describe Inputs.

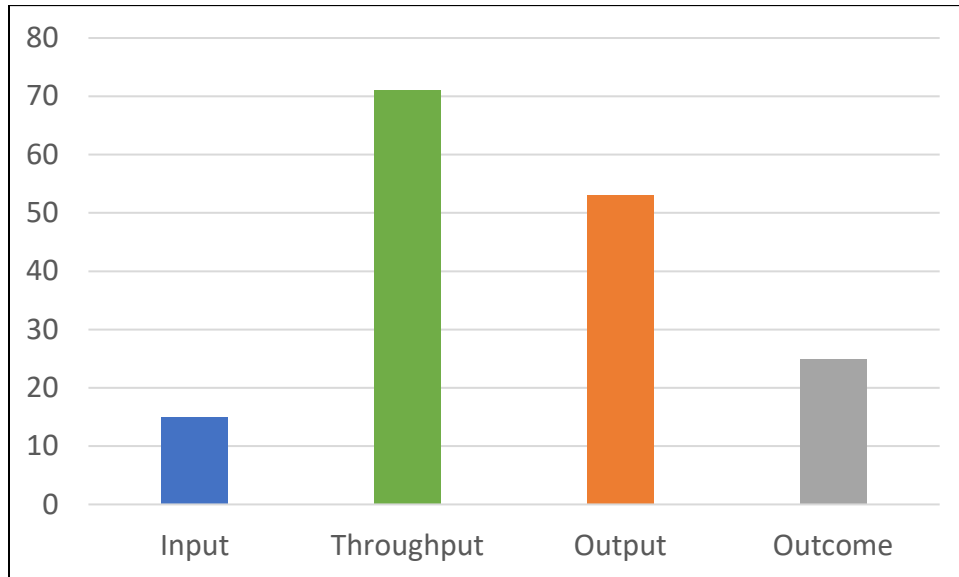


Figure 12 Count of Hotsheet Metrics Tracked by Division

Input, throughput, and output measures provide operational value to section managers. These measures typically describe the demands being placed on the agency, how quickly the agency is processing the inputs, and what the results of that process are on a tactical level (often a numeric quantity). These types of measures are important to track insofar as they provide a helpful operational view of core processes within DOR. However, they may provide less value to organizational leadership as they do not consistently, directly, and effectively address an organization's strategic performance. On the other hand, outcome measures provide strategic value to DOR leadership by providing information on how the results of a process translate to a high-level impact that is important to the agency. These types of measures are the core of an OBM system and allow an organization to understand and improve upon the practices that are most important to the agency's collective mission.

Table 8 below provides a listing of the outcomes that are measured across the 16 Hotsheets. Note that, according to this analysis, only the Business and PTAC Divisions measure outcomes, accounting for 10 of the 16 total Hotsheets. Fifteen of 64 (23%) of Business measures are outcomes, while 10 of 45 (22%) of PTAC measures are outcomes. A cursory view of the below metrics shows that each is strongly aligned to the Core Business Outcomes.

This space intentionally blank

Deliverable 2: Current State Assessment

Table 8 Outcomes Measured on DOR Hotsheets

Outcomes Measured by Business Division	Outcomes Measured by PTAC Division
<p>Corporate and Estate Section Hotsheet Collected from Filing Enforcement Dollars Collected of Total Audit Billings</p> <p>Other Agency Accounts (OAA) Hotsheet Abandoned calls Total Unrestricted Recoveries</p> <p>SLT and E911 Hotsheet 9-1-1 Receipts Lodging Receipts</p> <p>SPA Financial Update Hotsheet Amusement Receipts Hazardous Receipts Petroleum Receipts</p> <p>Tobacco Hotsheet Cost of Enforcement</p> <p>WPTS Hotsheet % Online Registrations via OBR Customer Experience: Abandon Rate/Requeued Calls iWire compliance Marijuana Return Compliance WPTS Gross RA Collections</p>	<p>Collections Hotsheet Total AR</p> <p>PIT Return Processing Hotsheet Tax Services: Abandoned Calls Tax Services: Caller Elected Call Back Tax Services: Wait Time</p> <p>PTAC Compliance Hotsheet Percent of Good or Excellent Ratings (same as KPM #4) Tax Dollars Filed on Amended Returns After Audit</p> <p>PTAC Program Services Hotsheet 2018 Fraud: Lost 2018 Fraud: Stopped Call Wait Times (KPM #5) Customer Service Survey (KPM #4)</p>

The remaining divisions do not appear to measure outcomes, as displayed in the breakdown of metric level by division below.

This space intentionally blank

Deliverable 2: Current State Assessment

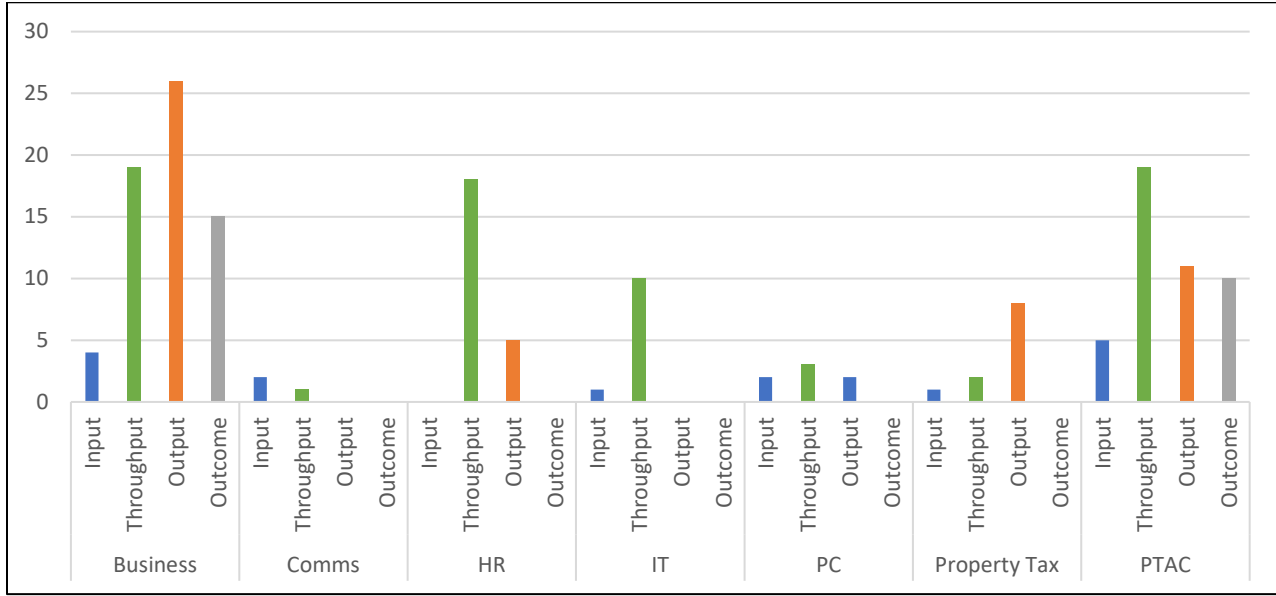


Figure 13 Count of Hotsheet Metrics by Division and Metric Level

Metric Targets

Metrics can be associated to performance targets that are provided in different formats. Generally, metric targets observed in the Hotsheets can be categorized into one of five formats, laid out below. Each format is associated with an actual example from the Hotsheets.

- **Compared to Previous Year:** The metric's performance target is to reach the same level as in a previous year (e.g. customer service ratings)
- **Goal Line:** The metric is measured on a graph, and the target is to reach a goal line established on that graph (e.g. Filing enforcement production 2017-2019 biennium)
- **Projection:** The metric's performance is to reach an estimation of how well the agency will perform (e.g. Dollars billed for desk and field audits)
- **Other Custom Goal (Described with Text):** The metric's target is described with a brief narrative that is unique to the metric (e.g. Returns Processed: "Process 90% of refund returns received on or before the due date by June 1")
- **Not Listed:** There was no target associated with the metric.

Of the 164 metrics, a majority (81%) had no established targets. Another 7% of metrics had a custom goal, while another 4% were associated with a projection. Targets described with goal lines and comparisons to previous years occurred in negligible amounts. The following pie chart shows a breakdown of metrics by metric target:

Deliverable 2: Current State Assessment

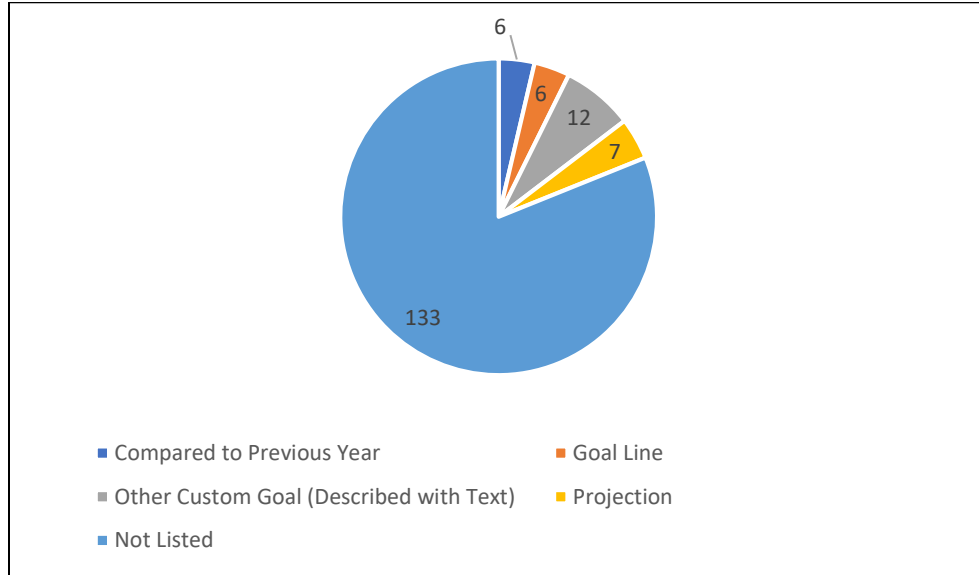


Figure 14 Count of Hotsheet Metrics by Target Type

Note that, between the four types of targets discussed in this section, leading OBM practices do not require any one type to be used in proportion to the others. The key here is that if something is measured, then it should be associated with a target. Over and under performance against that target can then be measured, and the agency can then adjust its practices to address performance relative to that target. Perhaps more important is the process for setting the targets. According to the IRS Balanced Performance Management System, “each measure should have targets based on a review of the previous year's results, historical patterns and the anticipated mix of resources available, the linkage to organizational priorities and initiatives, planned process improvements or system enhancements, and an assessment of existing and emerging trends, issues, and problems.” Note that this will be discussed further in Deliverable 3, the OBM System Work Plan.

Proportionally, the Processing Center applies targets to more of its metrics; that is, of the seven metrics that are tracked by the Processing Center, six have associated targets. Business, HR, PTAC, and Property Tax all apply targets to less than a third of their respective metrics. IT and Communications do not apply targets to any metrics. The below graph shows a count of metrics with and without targets by each of the divisions that have Hotsheets.

This space intentionally blank

Deliverable 2: Current State Assessment

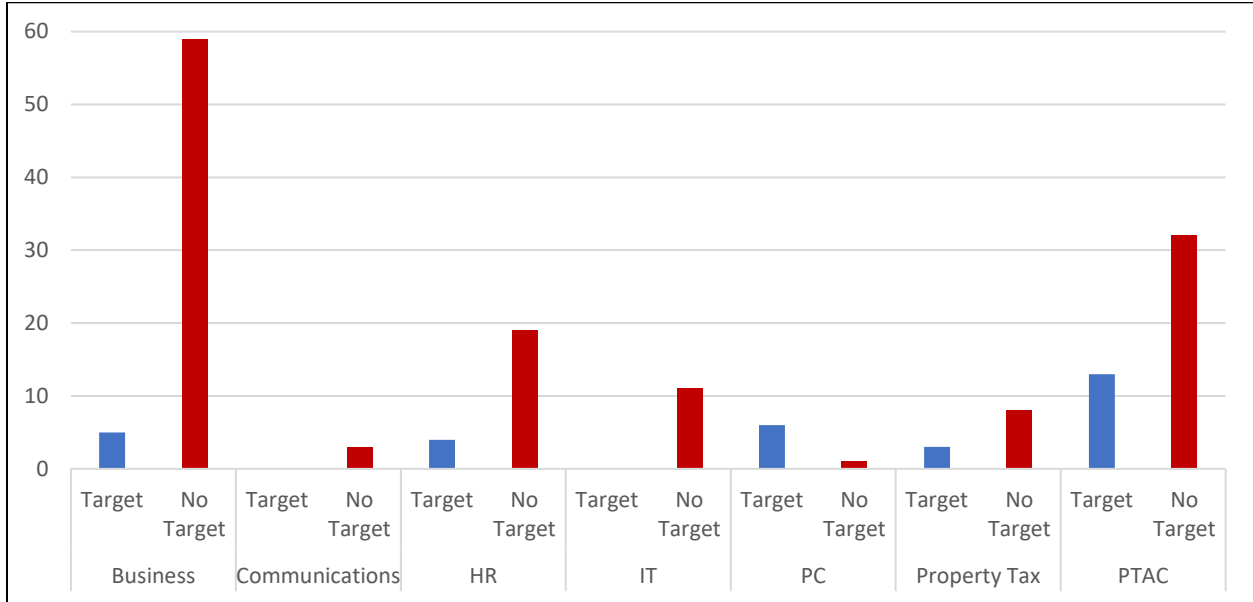


Figure 15 Count of Hotsheet Metrics by Division With and Without Targets

Metric Narrative Explanations

Only a single metric (“Average Days to Open a Recruitment”) was accompanied with a meaningful narrative explanation. This metric is tracked by the HR Section.

Associating metrics to clear and meaningful narrative explanations is considered a leading OBM practice. Narrative explanations help provide proper context for all stakeholders who may be consuming the reports that metrics are presented upon, regardless of whether those stakeholders are, or are not, already familiar with the content.

Metric Action Plans

To the extent that this dimension could be analyzed from the Hotsheets, none of the 164 metrics had an associated action plan.

Associating metrics to an action plan is also considered a leading OBM practice. Action plans provide a means for an organization to conduct course correction activities when a metric is underperforming against a target.

Action plans should be:

- Previously agreed upon by the relevant stakeholders, to the extent possible
- Clear to both those who have created the plan, and those who are responsible for carrying it out
- Known by evidence to create a positive impact on the process or practice being measured

Metric Alignment to Strategic Priorities

Overall, the existing metrics are equally aligned to Enhance Taxpayer Assistance and Optimize Collections Efforts; each of these Strategic Priorities has 61 aligned metrics (37% of the total). Another 33 metrics (20%) are aligned to Cultivate Operational Excellence. Finally, 36 metrics (22%) were not aligned to any of the three strategic priorities. Note that these percentages total greater than 100% because, in

Deliverable 2: Current State Assessment

several instances, metrics were aligned to more than one strategic priority. The graph below shows a count of metrics aligned to each of DOR's Strategic Priorities:

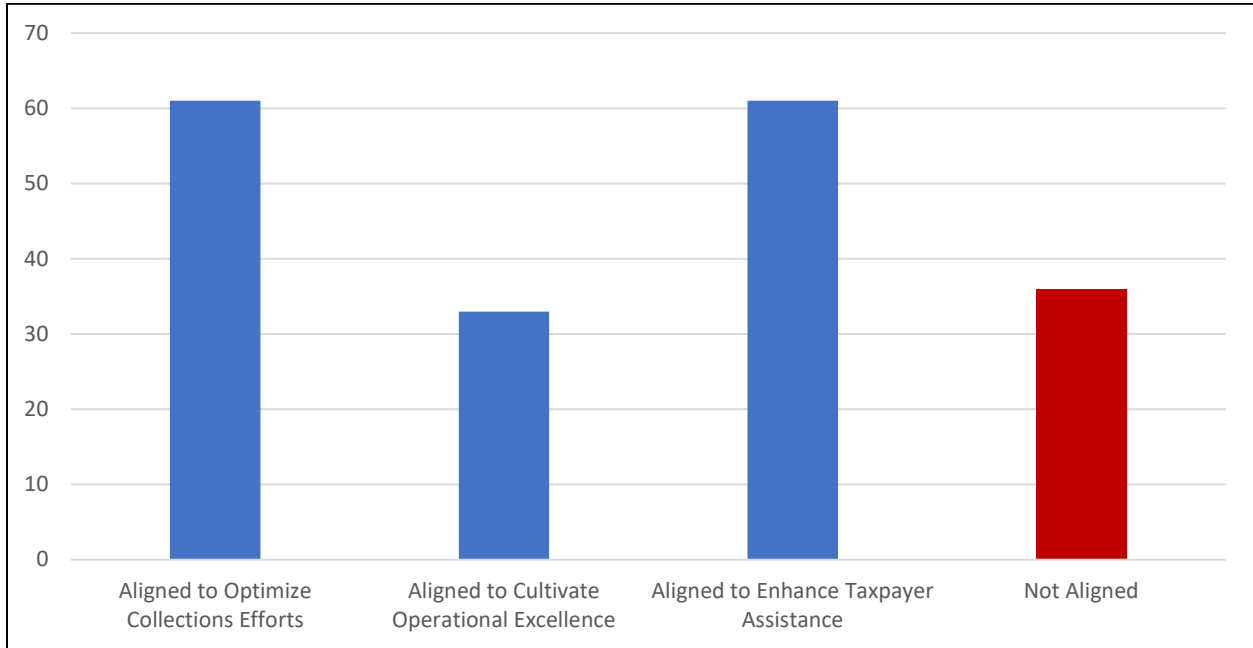


Figure 16 Count of Hotsheet Metrics by Alignment to DOR's Draft Strategic Priorities

Metric Alignment to Core Business Outcomes

Overall, the existing metrics are primarily aligned to Customer Experience (38%), Enforcement (31%), and Employee Engagement (16%). A small share of the metrics are aligned to Voluntary Compliance (5%) and Equity and Uniformity (4%). Fifteen percent of metrics are not aligned to any core business outcome. (Note that these percentages total greater than 100% because, in several instances, metrics were aligned to more than one core business outcome). The graph below shows a count of metrics aligned to each of DOR's Core Business Outcomes:

This space intentionally blank

Deliverable 2: Current State Assessment

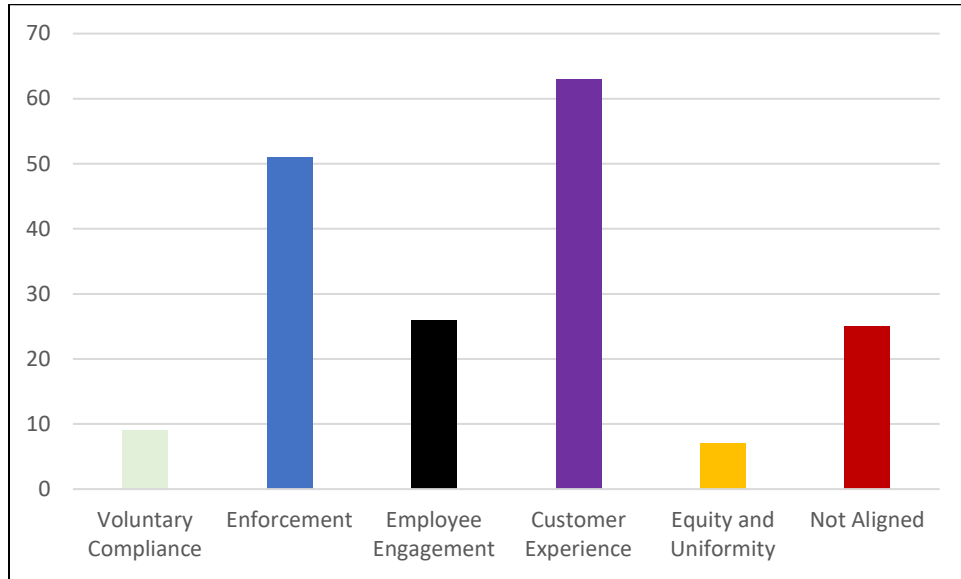


Figure 17 Count of Hotsheet Metrics by Alignment to the Core Business Outcomes

This space intentionally blank

Deliverable 2: Current State Assessment

A further breakdown of the Hotsheet metrics (by count and alignment) to Core Business Outcomes by DOR divisions is displayed below. (Note further that the counts collectively total more than 164 as several metrics were aligned to more than one area).

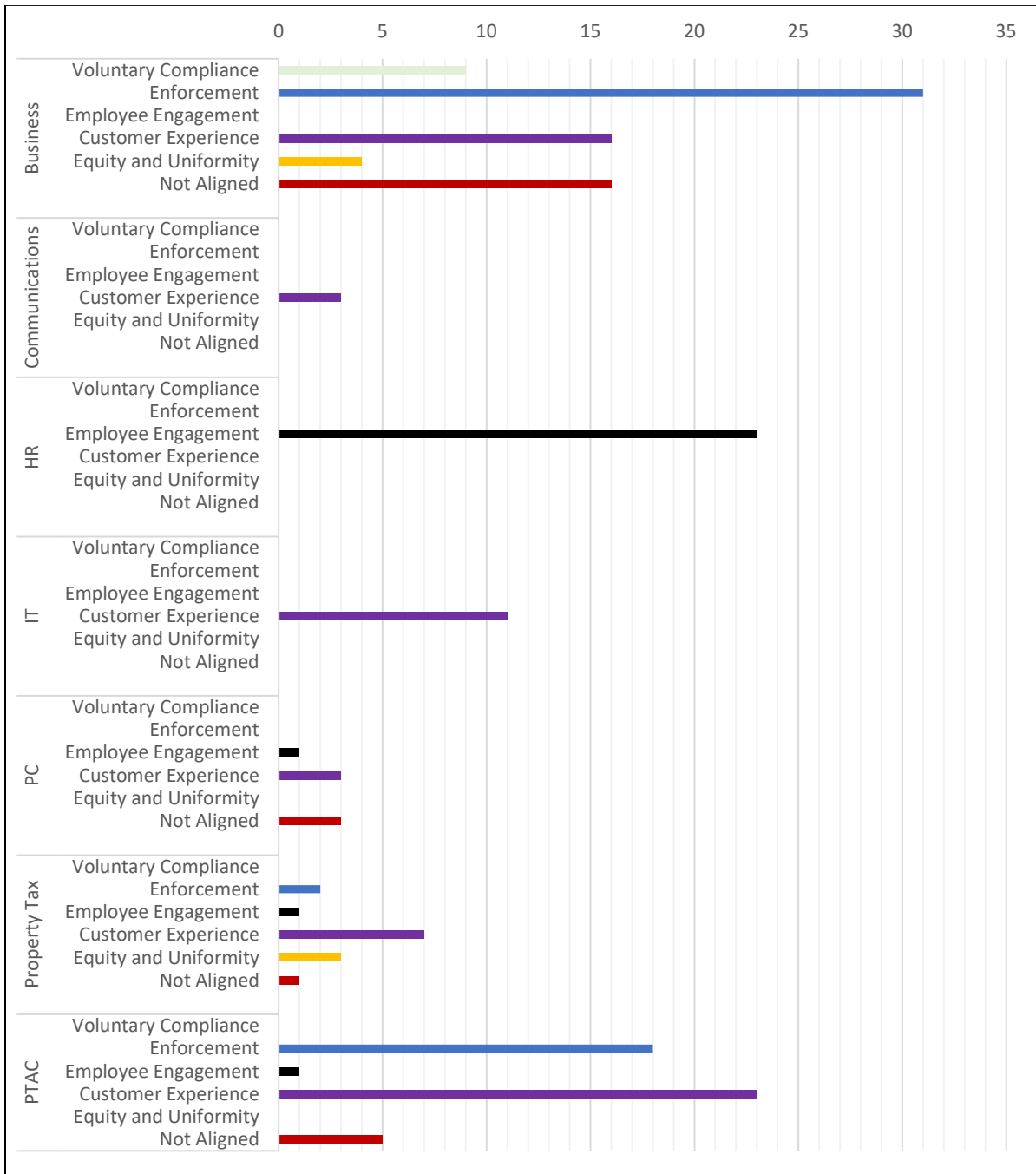


Figure 18 Count of Hotsheet Metrics by Division and Alignment to Core Business Outcomes

Note that, per previous discussion, a count of aligned metrics does not necessarily indicate that those metrics provide a view into achievement of an outcome (as defined in the Metric Level sub-section above).

Deliverable 2: Current State Assessment

3.3.2 Key Performance Measures

DOR tracks 11 Key Performance Measures (KPMs), which are approved by the Legislature as part of the agency's budget request. The KPMs vary considerably in their level of specificity. For example, KPM #1 (Average Days to Process Personal Income Tax) clearly measures only a single variable, while KPM #5 (Effective Taxpayer Assistance) is an index that factors in call wait times, success rates for "Where's My Refund?", and the entirety of KPM #4 (Customer Service). Each of the 11 KPMs was analyzed for their alignment to the metrics presented in DOR's 16 Hotsheets. Additionally, an analysis of KPM alignment to Core Business Outcomes was also conducted.

Alignment of Hotsheet Metrics to KPMs

Over a third (38%) of the 164 Hotsheet metrics do not align to any of the 11 KPMs; that is, 63 Hotsheet metrics do not "speak to" any of the KPMs. Alignment of the remaining metrics to KPMs is, at least in part, a function of whether the KPM is generic or specific. KPM #4 (Customer Service), KPM #5 (Effective Taxpayer Assistance), and KPM #11 (Employee Engagement), which are broad in their definitions, all have between 20 and 35 aligned metrics that "speak to" these factors. Alternatively, KPM #1 "(Average Days to Process Personal Income Tax Refund), KPM #2 (Percent of Personal Income Taxes e-filed), KPM #3 (Employee Training Per Year), KPM #9 (Collection \$ Cost of Funds), and KPM #10 (Cost of Assessments), which are more specific measures, all have less than five aligned metrics. The exception is KPM #8 (Direct Enforcement Dollar Cost of Funds), which has 14 aligned metrics. Notably, KPM #6 (Appraisal Program Equity and Uniformity) and KPM #7 (Appraisal Value Uniformity) do not have any aligned Hotsheet metrics. The graph below shows the differing levels of alignment of Hotsheet metrics to KPMs. Note that the graph counts higher than 164 as several metrics align to more than one KPM.

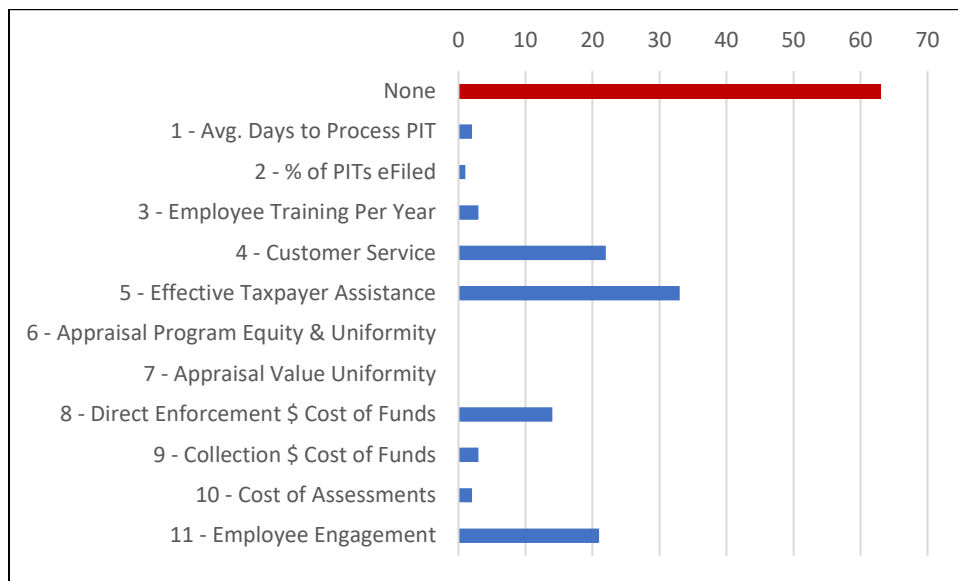


Figure 19 Count of Hotsheet Metrics by Alignment to the KPMs

Alignment of Strategic Priorities to KPMs

The following crosswalk shows how the KPMs align to DOR's Strategic Priorities. This is an imperfect exercise because the Strategic Priorities are very broad in nature and it can be argued that a single KPM could have 1:1 or one-to-many relationships to multiple Strategic Priorities. In light of this consideration a detailed rationale for the mapping alignment is contained in the Appendix Section 7.6.

Deliverable 2: Current State Assessment

The key take-away of the mapped view of the KPMs to the Strategic Priorities is that most KPMs are focused on Operational Excellence. To the extent DOR also wishes to drive the Optimize Collection efforts as well as Enhance Taxpayer Assistance priorities, they will need to recraft the KPMs to include measures that focus on those priorities.

KPM	Optimize Collections Efforts	Enhance Taxpayer Assistance	Cultivate Operational Excellence
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			

Strongly Aligned

Somewhat Aligned

Figure 20 KPM Aligned to DOR's Strategic Priorities

This space intentionally blank

Deliverable 2: Current State Assessment

Alignment of Core Business Outcomes to KPMs

The following crosswalk shows how the KPMs align to DOR's Core Business Outcomes. Enforcement is well-connected to the KPMs, with three KPMs that speak strongly to this outcome. Employee Engagement, Customer Experience, and Equity and Uniformity all have at least two KPMs that speak strongly to those outcomes. Finally, Voluntary Compliance is only somewhat aligned to two of the KPMs.

KPM	Voluntary Compliance	Enforcement	Employee Engagement	Customer Experience	Equity and Uniformity
1				Strongly Aligned	
2	Somewhat Aligned			Somewhat Aligned	
3			Strongly Aligned		Somewhat Aligned
4				Strongly Aligned	
5	Somewhat Aligned			Strongly Aligned	
6					Strongly Aligned
7					Strongly Aligned
8		Strongly Aligned			
9		Strongly Aligned			Somewhat Aligned
10		Strongly Aligned			
11			Strongly Aligned		

Strongly Aligned
 Somewhat Aligned

Figure 21 KPM Alignment to Core Business Outcomes

3.3.3 Comparisons to Other State Revenue Agency Outcome Metrics

This section shows how DOR tracks metrics as compared to other state revenue agencies at a high-level. Collectively, DOR's use of metrics is then contrasted against a sample set of illustrative metrics for tax administrations created by the International Monetary Fund, and a sample set of metrics compiled from the Knowledgebase which contains information based on experience in similar public sector and industry projects. As such, the following pages present a crosswalk of the following sets of metrics:

- 1) Metrics tracked by DOR
- 2) Metrics tracked by a group of nine peer states
- 3) Illustrative metrics created by the International Monetary Fund⁹
- 4) Deloitte's Industry Knowledgebase

⁹ International Monetary Fund, Fiscal Affairs Department. "Revenue Administration: Performance Measures in Tax Administration." June 2010.

Deliverable 2: Current State Assessment

Approach to the Comparison Exercise

The selection process for the nine states included in the peer state comparison are as follows:

- **States that are geographically proximate.** States with geographic proximity include Washington, Idaho, and Nevada.
- **States that have comparable tax administrations, especially as it relates to use of GenTax, state population, and annual state tax revenues.** States with similar characteristics include Colorado, South Carolina, Louisiana, and Wisconsin.
- **Additional states that responded to a data request.** This includes Pennsylvania and New York.

Data was gathered from the nine peer states via two methods:

Research on publicly available information. Research was primarily focused on the Annual Reports of each respective departments of revenue. These annual reports were used as the primary source because of their relative consistency over time (versus measures reported in one-time studies).

Data requests submitted to and returned by a sub-group of the 9 states: A request for information on tracked metrics was sent to the revenue departments of comparison states. Idaho, Colorado, Wisconsin, Pennsylvania, and New York responded.

The gathered metrics were categorized into seven different functions performed by tax administrations, a framework that is also provided by the IMF:

- Registration and filing compliance
- Customer / taxpayer service
- Return processing and payment
- Accounts receivable
- Audit
- Appeals
- Revenue Accounting and Disbursements

This space intentionally blank

Deliverable 2: Current State Assessment

Summary of Comparison Results

The summary table below shows where the nine peer states and Oregon had either publicly available information or submitted responses to the data request with respect to seven potential areas of measurement. That is, the cells *without* checkmarks indicate that the state’s revenue department did not publish information in their annual report or provide a response to the data request with respect to the area of measurement in question.

Note also that the “Summary” column to the far right shows a count of how many of the states tracked metrics related to each tax function.

Table 9 Summary of Peer State Comparisons

Tax Administration Functions	Geographically Proximate				Comparable Tax Administrations				Responded to Data Request		Summary
	Oregon	Washington	Idaho	Nevada	Colorado	South Carolina	Louisiana	Wisconsin	Pennsylvania	New York	
Registration and Filing Compliance		✓	✓						✓	✓	4
Customer Service	✓		✓		✓				✓	✓	5
Return Processing and Payment	✓		✓		✓	✓	✓	✓	✓	✓	8
Accounts Receivable	✓		✓		✓			✓		✓	5
Audit	✓		✓	✓	✓			✓	✓	✓	7
Appeals			✓		✓	✓	✓	✓	✓	✓	7
Revenue Accounting and Disbursements			✓	✓	✓	✓	✓				5

The Appendix Section 7.5 provides a series of detailed tables that a) provide a summary overview for each state, including the state’s population, total tax revenue, the types of taxes each state collects, and whether the state uses GenTax, and b) captures each state’s metrics – specifically as they relate to each of the seven tax administration functions – that were either in the state’s annual report or returned for this report in response to the data request.

High-level Takeaways from the Comparative Analysis

- Limitations in comparability.** Oregon did not have an Annual Report comparable to the other states. Oregon’s latest Annual Performance Progress Report was used instead. The core purpose of these documents is substantially different and, as such, potential conclusions from this analysis should consider this limitation.
- Variability.** There is not widespread consistency across how states track metrics that may comprise an Outcome-Based Management system. Though there may be leading practices that provide potential metrics for inclusion in an OBM system, ultimately, every state appears to be developing and tracking metrics within the construct of their own state-specific environment.
- Potential high performers across the categories.** Idaho, Colorado, and New York – which collectively represent the different categories of states included in this analysis – all track metrics across at least six of the seven functions in a way that indicates they could be included in a performance management strategy (i.e. they are contained in the annual report or were reported in response to the data request). Note that this observation is not a guarantee that such states

Deliverable 2: Current State Assessment

are high-performers with respect to OBM; rather, it appears these states may have a foundation for such a system in place.

- **Notable differences between Oregon and other states.** Seven out of nine comparison states track appeals metrics per their annual report or response to the data request, while Oregon does not.

This space intentionally blank

Deliverable 2: Current State Assessment

Section 4: Organizational and Divisional Readiness to Develop an Integrated OBM System

This section synthesizes the data inputs from agency strategic documents, audits, executive and stakeholder interviews, and metrics inventory to rate DOR's current OBM maturity in two ways:

- 1) **Section 4.1 – Maturity of Outcome-Based Management by Division / Section.** This section provides an assessment of the relative OBM maturity of key divisions and sections as they relate to the high-level dimensions of people, process and technology.
- 2) **Section 4.2 – Enterprise-wide Readiness to Implement Outcome-Based Management.** This section provides an assessment of DOR (the agency) in terms of its readiness to implement an integrated OBM system. The core of this assessment is a comparison of DOR against 29 leading OBM practices. These leading practices have been accumulated in the Deloitte's proprietary Outcome-Based Management Knowledgebase which contains metric information from industry expertise, including other public sector engagements.

The factors and characteristics as presented are assessed as to whether those factors and characteristics meet the spirit of the people, process, and technology dimensions (in Section 4.1), and the 29 elements (in Section 4.2). This largely qualitative assessment is then converted to a quantitative value for relative comparison of division / section-level maturity (in Section 4.1) and organization enterprise-wide maturity across the leading practices (in Section 4.2).

For both the divisional maturity assessment and the enterprise-wide readiness assessment, target future maturity levels are estimated based on the necessary level of competency for DOR to achieve their goals for an integrated OBM system. Gap scores, the difference between target maturity and current maturity, are then calculated, and opportunities to address and begin closing gaps are documented.

The assessment of current OBM maturity among DOR divisions identifies divisions that are relatively more mature across process, people, and technology OBM dimensions, and other divisions which are considerably less mature in one or more dimensions. It also identifies where the largest gaps in maturity exist, and the target levels of maturity for each division. With this information, DOR can prioritize and tailor future actions to build the necessary capabilities in each dimension by division. It can also leverage the experiences and knowledge of relatively more mature divisions to support capacity building in less mature divisions. Similarly, the detailed assessment of organizational readiness identifies the largest gaps in each individual capability, and thus areas where DOR will need to focus efforts to build capacity to support an integrated OBM system to fully realize the intended benefits of the system.

4.1 Maturity of Outcome-Based Management by Division / Section

To ascertain the readiness of DOR to embark on the OBM system implementation journey, it is necessary to understand the relative level of maturity of the divisions/sections. To that end, an assessment of each division / section was conducted using a standardized heatmap methodology that considers and analyzes the knowledge, activities, behaviors and tools of the division or section related to OBM across 3 dimensions – people, process and technology. The analysis considers quantitative information drawn from documentation (e.g., Hotsheets) and qualitative observations (e.g., leader interviews). The results are aggregated in a visual heatmap which provides an easy to see status summary and allow for a division/section comparison. The results of this analysis inform the activities that will be included in the OBM System Work Plan to achieve target maturity.

Deliverable 2: Current State Assessment

Table 10 4.1 Summary

Summary of Observations	Key Opportunities
<ul style="list-style-type: none"> • The Business Division, HR Section, Processing Center Section, PTAC Division, and Property Tax Division should reach a high-level (“Leading”) OBM maturity to enable DOR to achieve an effective OBM system • Though no unit within DOR currently achieves a “Leading” level of maturity across people, process, or technology, there are foundational elements across the units • The Business Division had the highest average maturity scores overall, indicating the division is performing elements (e.g., tracking certain outcome measures) of OBM consistently, but still has room to refine its efforts to reach the level of “Leading” practice behavior, (e.g., establish a process for developing metrics with performance targets, create better alignment of tracked metrics to the Core Business Outcomes) • The largest gaps are currently faced by the Processing Center Section, Property Tax Division, and Financial Services Division. These gaps occur for a variety of reasons, which are noted at length in the detailed tables below. 	<ul style="list-style-type: none"> • Leverage the Business Division’s capabilities to help other divisions improve across the People, Process, and Technology dimensions of OBM. Human Resources can contribute Process expertise, and Communications technology tool expertise • Prioritize addressing gaps in HR, Processing Center, Personal Tax and Compliance, and Property Tax, where achieving leading performance is critical. Table 11 in this section shows a summary view of what mature people, process, and technology generally looks like and as such gives a sense of the gaps in need of closing.

Approach to the Division / Section Maturity Assessment

Where appropriate, this analysis weighs all the inputs outlined in Section 1.3 (Approach). Both internal Executives and external Stakeholders were interviewed to gather information on their understanding, perception, and where appropriate, their actions. There was particular weight given to the Executive Interviews because these leaders were asked to describe what they do today within their teams, how they view activities at the agency level and what they believe is missing to effectively drive and embrace OBM. This information is aggregated (where possible) to preserve anonymity and encourage transparency. These observations are then layered onto the Hotsheet metrics analysis to arrive at maturity ratings.

Using these inputs, each division/section was scored from “limited” (1) to “leading” (4) across each dimension to arrive at a current state score. This scoring scale is defined below:

- **1 (Limited):** The element occurs in a limited, basic, or unstructured way within the unit




Deliverable 2: Current State Assessment

- **2 (Developing):** The element occurs in a way that evidences a structured approach intention, and strategic forethought, but practices have not developed sufficiently to ensure consistency, continuity, and effective execution
- **3 (Performing):** The element has reached a level of consistency, but additional improvements could still be made to reach the leading practice
- **4 (Leading):** The element is fully in line with the leading practice in the unit

The target maturity scores for each division/section were developed using this scoring scale as well. The target scores may be viewed as a function of the potential impact the division/section has on DOR's ability to meet its identified outcomes, as well as a consideration of the level of progress possible within the two-year implementation timeframe provided in the RFP for this project.

Finally, the scores for each division/section were applied against people, process, and technology categories. The general criteria for scoring against these categories are laid out below.

Table 11 Evaluation Criteria for People, Process, and Technology Ratings

Category	Criteria
People 	The division/section scores highly if: <ul style="list-style-type: none"> • Staff understand and endorse the concept of OBM • Staff understand their role in achieving OBM and are held accountable for doing so • There are defined structures with defined roles, responsibilities, and accountability for adjustments/monitoring • Staff receive required training to effectively carry out OBM practices • Staff understand and use the tools available for OBM
Process 	The division/section scores highly if: <ul style="list-style-type: none"> • There is a process for designing, selecting, and prioritizing Outcome-based metrics • There is a process for developing and monitoring action plans when OBM data shows targets are not being reached • There is a process for periodically reviewing metrics and adjusting them as necessary
Technology 	The division/section scores highly if: <ul style="list-style-type: none"> • The division/section has implemented tools capable of effectively gathering, conducting analysis upon, and using OBM data • Data is aggregated automatically and within a single system • Divisional/sectional reports are developed from reliable data within the technology tools

This analysis acknowledges that the various divisions/sections are in some instances considerably different in size. For example, according to DOR's July 2018 organizational chart, the Research section has 10 total positions (including vacancies), whereas the Business division has over 150 total positions. One factor of this analysis that takes such a size difference into account is the recommended Target Maturity. In any case, the divisions/sections are analyzed separately here to account for the ability of each division/section to create a separate and unique impact on the overall mission of DOR.

Deliverable 2: Current State Assessment

Summary of Division / Section Maturity Assessment Results

The following heatmap shows the 9 DOR divisions/sections that were analyzed; ratings for each of those organizational units along the dimensions of people, process and technology; and recommended Target Maturity across all areas for those units. Also following the summary results table (Table 12) are two figures which serve as legends to the scoring summary. Figure 22 defines the spectrum of possible current state maturity scores and Figure 23 defines the spectrum for the gap assessment scores.

Table 12 Summary of Division/Section Current OBM Maturity

Division	Section	Current Maturity			Target Maturity	Gap ¹⁰
		People	Process	Technology	All Areas	
Business Division	-	3	3	3	4	1.00
Executive Division	Human Resources (HR) Section	2	3	2	4	1.67
	Communications Section	2	2	3	3	0.67
	Research Section	2	1	1	3	1.67
IT Division	IT Services (ITS) Division	2	2	2	3	1.00
	Processing Center (PC) Section	2	2	2	4	2.00
Personal Tax and Compliance (PTAC) Division	-	2	2	3	4	1.67
Property Tax Division	-	2	2	2	4	2.00
Financial Services Division	-	1	1	1	3	2.00

¹⁰ The gap score for each division/section is the difference between the Target Maturity rating across all areas minus the average score of people, process, and technology. Note, as such, that the color scheme for the Gap column is inverted: a smaller number represents a smaller gap to be closed, and thus a better current condition for DOR.

Deliverable 2: Current State Assessment

The rating scales for Figure 22 Current State Scores and Figure 23 Gaps Scores are provided below.

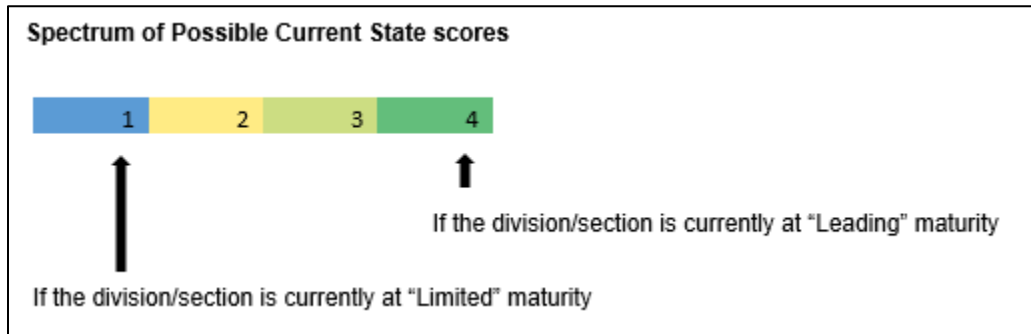


Figure 22 Current State Division/Section Assessment Scoring Spectrum

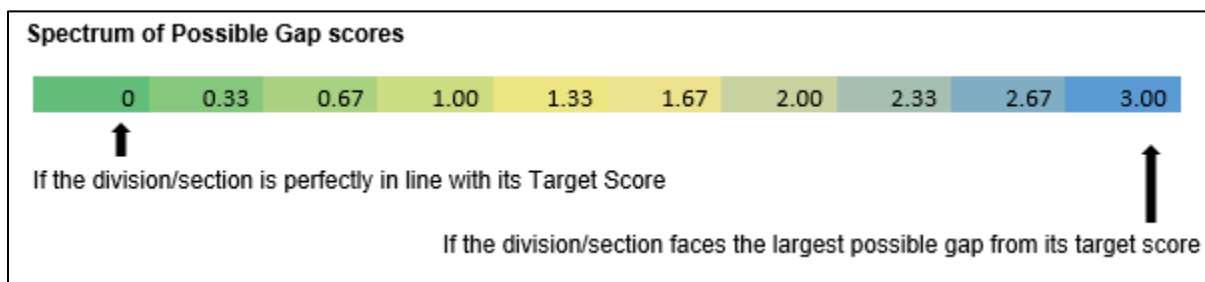


Figure 23 Current State Division/Section Gap Scoring Spectrum

As DOR seeks to implement an effective, integrated OBM system throughout the agency, each analyzed unit should strive to attain at least a three (Performing) maturity level rating. In addition, the Business Division, Human Resources Section, Processing Center Section, Personal Tax and Compliance (PTAC) Division, and the Property Tax Division should strive to obtain a four (Leading) maturity level to secure the success of OBM at the agency level. These units are either the largest by population (in which case you want as many employees as possible working toward the agency identified priorities) or are the most core to DOR's business and will therefore likely produce the largest impact with effective OBM practices.

Overall, there is considerable variation in current OBM maturity across the assessed divisions/sections of DOR. The Business Division is relatively the most mature organizational unit. The Business division received consistent Performing ratings for its use of Hotsheet metrics, occasional action plans (none of which were visible on Hotsheets), and culture of aspirational performance. The high number of metrics tracked by the Business division is not in itself an indication of well-practiced OBM, in fact, a leading OBM system typically uses fewer quantities of metrics and focuses on higher quality metrics. The Business division likely has a gap in the overall effectiveness of its OBM practices. However, the effort that the Business division is placing on reporting shows evidence of a meaningful intention toward OBM – a factor that this analysis also considers as indicative of higher maturity.

In addition to the Business Division, the Human Resources Section demonstrated the highest current maturity in the Process component at a three rating, while the Communications Section had the highest current Technology rating also at a three rating. These high relative maturity scores indicate the Business division's capabilities can be leveraged to help other divisions improve across the People, Process, and Technology dimensions of OBM, while the Human Resources Section can contribute Process expertise, and the Communications Section expertise in using technology tools to track and report on metrics.

According to this assessment, the Processing Center Section, Property Tax Division, and Financial Services Division currently show the largest relative gap between current and target state maturity.

Deliverable 2: Current State Assessment

While both Research and Financial Services generally score low across the categories, their overall target maturity is lower, which may help DOR prioritize efforts among divisions.

The following detailed tables provide rationales for the scoring system. Generally, low scores, indicate that the division/section did not achieve the people, process, and technology criteria as outlined above.

This space intentionally blank

Deliverable 2: Current State Assessment

Detailed Division / Section Maturity Assessment Tables

Table 13 Current Outcome-Based Management Maturity by Division

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Business Division (Average Current state score = 3)	3	3	3	4	<p>Summary: Overall, the Business Division has the highest relative maturity in OBM across the People, Process, and Technology dimensions. The Business Division appears to have an aspirational culture relative to its OBM practices, including tracking outcome measures on Hotsheets. Yet, a single, comprehensive view of divisional performance is still lacking.</p> <p>-People: Managers encourage employees to reach aspirational performance goals, rather than minimum standards. However, accountability is often informal.</p> <p>-Process: In some instances, there appear to be action plans in place for certain metrics (though these are not noted on Hotsheets), which stands out within DOR as a relatively mature process. However, performance targets are often fluid and, according to the Hotsheet analysis, the Business Division tracks a relatively high rate of metrics that are not well-aligned to the Core Business Outcomes (21% of total Hotsheet metrics). There is therefore room for improvement in metrics evaluation and prioritization.</p> <p>-Technology: The 6 Hotsheets that the Business Division submitted for this analysis (which include 64 total metrics) appear to leverage data largely from GenTax and the Automated Call Distribution (ACD) system.</p> <p>-Target: As one of the largest divisions and a core part of the business, the Business Division should attempt to achieve a leading maturity level with respect to OBM.</p>	1.00

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Human Resources (HR) Section (Executive Division) (Average Current state score = 2.33)	2	3	2	4	<p>Summary: HR uses dedicated resources and leverages data from multiple systems to create a monthly HR reporting dashboard which includes performance targets for key processes.</p> <p>-People: HR has a defined role for an experienced resource that includes responsibility for preparing the monthly dashboard, each business unit is responsible for supplying metrics data for the HR dashboard. There is a need to broaden understanding of OBM and what value it will bring.</p> <p>-Process: Performance of key internal HR processes such as hiring and onboarding are tracked and reported. Monitoring of performance and escalation of issues does occur, but informally.</p> <p>-Technology: HR creates a monthly HR dashboard and leverages data from multiple HR systems. Creating the HR dashboard is still a time-consuming task, though progress is being made, and rapid progress is expected when Workday is available.</p> <p>-Target: As this section is responsible for hiring, onboarding, and providing common training to DOR employees, HR should attempt to achieve a leading maturity level with respect to OBM.</p>	1.67

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
<p>Communications Section (Executive Division) (Average Current state score = 2.33)</p>	2	2	3	3	<p>Summary: Communications Hotsheet contains three metric which do not contain narrative explanations of performance or action plans. The section effectively uses technology to manage workloads against performance targets.</p> <p>-People: Section leadership feels a high degree of ownership for OBM. However, establishing expectations and accountability for employees to support OBM is difficult without a shared definition of OBM established by DOR leadership. Staff effectively use the reporting tools and technologies available to report on performance.</p> <p>-Process: Communications has an informal process for developing performance targets and action plans when targets are not reached. This section does not have clear guidance on what metrics should be reported to RLT.</p> <p>-Technology: Much of the current data used by Communications to report on metrics is captured electronically (i.e. with Agiloft Communication Tool, web/survey analytics).</p> <p>-Target: Communications should both understand and practice OBM to support effective messaging around the concept. Therefore, Communications should attempt to achieve at least a performing level of maturity with respect to its OBM practices.</p>	0.67

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Research Section (Executive Division) (Average Current state score = 1.33)	2	1	1	3	<p>Summary: Research is widely viewed within DOR as having the best capabilities to access and analyze GenTax data. Application of these capabilities to OBM have not yet become a major focus area for the Research Section.</p> <p>-People: Staff in this section are familiar with and endorse the concepts of OBM. However, OBM practices have not been put in place within Research to measure performance of the section itself, for example, defined OBM roles and responsibilities.</p> <p>-Process: Research has not yet leveraged their OBM knowledge to establish metrics evaluation and prioritization processes with their section.</p> <p>-Technology: Research possess expertise in extraction and interpretation of GenTax data. This capability has largely been used to support external reports, with less focus on using this expertise to leverage GenTax as a source of data to support OBM.</p> <p>-Target: Research may have a role in supporting OBM data collection and analysis across DOR. Therefore, Research should attempt to achieve a performing level of maturity with respect to its OBM practices.</p>	1.67

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Information Technology Services (ITS) Division (Average Current state score = 2.00)	2	2	2	3	<p>Summary: While the ITS Division tracks GenTax-related metrics, it unclear that they track outcome metrics beyond those associate to GenTax. IT sees its role as ensuring tools and data are available to support OBM, and while it is true the business will set performance related expectations, IT should consider proactively engaging the business so that the business has a better understanding of the possibilities vs being guide by a view limited by what it can conceive. IT staff are capable technologists and therefore have information not readily available to the business.</p> <p>-People: Staff are capable of implementing technical solutions, but lack a clear path for implementation of OBM practices. The division is self-described as subject to change fatigue given the GenTax rollout.</p> <p>-Process: Processes have not yet been effective enough to enable quick decision making throughout the rest of DOR. Course correction plans are ad hoc. Metrics are often not measured against a target.</p> <p>-Technology: Data used for IT metrics appears to be largely sourced from GenTax, focusing on input and throughput rather than outcomes.</p> <p>-Target: IT may have a role in supporting OBM technology tools, therefore, they must achieve at least a performing maturity level with respect to OBM practices.</p>	1.00

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Processing Center (PC) Section (within ITS) (Average Current state score = 2.00)	2	2	2	4	<p>Summary: The Processing Center tracks few metrics (seven metrics in a single Hotsheet).</p> <p>-People: Staff are largely focused on preparing for and executing their functions during tax season, as evidenced by the focus on input, throughput, and output metrics, which have not yet been connected to broader outcomes.</p> <p>-Process: Metrics evaluation and prioritization processes are not standardized. However, most existing metrics do contain performance targets.</p> <p>-Technology: Data used for metrics reports is drawn from a mix of GenTax and manually collected sources.</p> <p>-Target: As one of the largest sections (including seasonal employees) and a core part of the business, the Processing Center should attempt to achieve a leading maturity level with respect to OBM.</p>	2.00

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Personal Tax and Compliance (PTAC) Division (Average Current state score = 2.33)	2	2	3	4	<p>Summary: PTAC tracks many metrics (a total of 45 across four Hotsheets), but there is not a consolidated view to provide a comprehensive picture of how well the unit is accomplishing desired outcomes.</p> <p>-People: Currently, interviews suggested that employees may focus on day-to-day tasks at the expense of understanding the Strategic Priorities, and that OBM as a concept may not be engrained into the way in which people conduct business.</p> <p>-Process: No formal process for developing targets or action plans, but PTAC does make use of the metrics to guide its decision making.</p> <p>-Technology: Many reports are based on GenTax or ACD data. Data for KPMs requires manual effort to bring together data from multiple sources and tools.</p> <p>-Target: As one of the largest divisions and a core part of the business, PTAC should attempt to achieve a leading maturity level with respect to OBM. Moreover, PTAC's core activities are inseparable from the Core Business Outcomes of Voluntary Compliance and Customer Experience. PTAC must play a leading role in OBM if DOR seeks to achieve these Core Business Outcomes.</p>	1.67

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Property Tax Division (Average Current state score = 2.00)	2	2	2	4	<p>Summary: Property Tax tracks two KPMs (#6 and #7), in addition to two Hotsheets. In interviews, this division accurately cites the need for meaningful information, not simply more data, and sees the value in having an agency-wide dashboard of metrics.</p> <p>-People: OBM roles, responsibilities, and accountability are not defined at the division level. Sections have developed their own approaches, but they are not well defined or standardized.</p> <p>-Process: Development of performance metrics and targets is done informally within sections without overall coordination, including establishment of goals and targets. Accountability is not strong, and thus challenges are slow to be escalated.</p> <p>-Technology: Much of the data used by Property Tax appears to be gathered and tracked manually (e.g. county ratio reports, data behind KPM #7), while in-season metrics are sourced from GenTax.</p> <p>-Target: As a core part of the agency which directly addresses the mission to make revenue systems work to fund public services, Property Tax should attempt to achieve a leading maturity level with respect to OBM.</p>	2.00

Deliverable 2: Current State Assessment

Division / Section	Current Maturity			Target Maturity	Rationale	Gap
	People	Process	Technology	All Areas		
Financial Services Division (Average Current state score = 1.00)	1	1	1	3	<p>Summary: Finance does not currently track any formal metrics. Interviewees consistently cited lack of finance-related metrics as a gap.</p> <p>-People: Staff perform daily functions necessary to maintain cashflow, but a broader cultural focus on OBM is lacking. Staff may not see the "big picture" of OBM.</p> <p>-Process: Heavy focus on GenTax recently means that this division is concentrating on redefining roles and processes in the new system and has yet to develop OBM processes.</p> <p>-Technology: Though the division is becoming increasingly familiar with GenTax, Finance is not currently leveraging GenTax, or any other tool, to support OBM or metrics.</p> <p>-Target: Given that the Legislature will be closely watching how effectively DOR manages revenues, Finance must attempt to achieve a performing OBM maturity at a minimum.</p>	2.00

This space intentionally blank

Deliverable 2: Current State Assessment

4.2 Enterprise-wide Readiness to Implement OBM

As discussed at the outset of Section 4, the Current State Assessment includes an evaluation of DOR's readiness to develop an integrated OBM system at the organizational level. Note that within the maturity model itself (components, capabilities, and elements), the term "strategic priorities" is used generically. As used in the model, it refers to all components of what DOR considers the "strategic framework," that is, inclusive of both Strategic Priorities and Core Business Outcomes.

Table 14 4.2 Summary

Area of Review	Summary of Observations	Key Opportunities
<p>Maturity Component 1: Defined Outcome-based strategic priorities that cascade down to goals and Objectives within and across the agency</p> <p>1.1 Strategic Planning & Prioritization <i>(4 elements)</i></p> <p>1.2 Outcome-Based Management System Evaluation <i>(3 elements)</i></p>	<p>Process:</p> <ul style="list-style-type: none"> Strategic planning process is ad hoc, without established practices for accountability for developing, communicating, and monitoring the results 	<p>Process:</p> <ul style="list-style-type: none"> Define and execute comprehensive strategic planning process with regular update cycles and continuous improvement channels. Include stakeholder engagement, metrics evaluation, and accountability practices
	<p>People:</p> <ul style="list-style-type: none"> There is lacking a concerted push for people aspects of organizational adoption of OBM – including addressing cultural factors, organizational change management, and skill gaps. 	<p>People:</p> <ul style="list-style-type: none"> Determine factors necessary for organizational OBM adoption and implement plans to address cultural barriers, including the creation of an organizational change management strategy to support an effective and sustained transition to long-term OBM Develop a "second generation" (i.e. post-GenTax) training and organizational change management program to align processes and skills of employees.
	<p>Technology:</p> <ul style="list-style-type: none"> Data analysis and reporting tools required to support business intelligence related to 	<p>Technology:</p> <ul style="list-style-type: none"> Leverage existing tools, especially within GenTax, to build effective reports. Conduct an analysis of OBM system

Deliverable 2: Current State Assessment

	OBM are not available agency-wide.	requirements and needed capabilities to determine if they can be fully met with existing technology and tools. Reach a full understanding of current capabilities.
--	------------------------------------	--

This space intentionally blank

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
<p>Maturity Component 2:</p> <p>Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes</p> <p>2.1 Metrics Selection and Alignment (4 elements)</p> <p>2.2 Outcome-Based Management Processes and Tools (3 elements)</p> <p>2.3 Analysis and Reporting (5 elements)</p>	<p>Process:</p> <ul style="list-style-type: none"> There is no established agency-wide process and framework for metric evaluation, selection, and prioritization. 	<p>Process:</p> <ul style="list-style-type: none"> Create and adopt metrics framework
	<p>People:</p> <ul style="list-style-type: none"> Resources for OBM are not defined and allocated <ul style="list-style-type: none"> Hotsheet discussions with RLT are not coordinated and facilitated across divisions, nor are improvement actions. Accountability for action plans are not centrally tracked and managed. Ability to access and interpret data varies widely across divisions. 	<p>People:</p> <ul style="list-style-type: none"> Identify and allocate resources necessary to operate OBM Governance.
	<p>Technology:</p> <ul style="list-style-type: none"> Data standards, catalogs, and dictionaries are insufficient to support development of metrics. Content of reports are not rationalized (i.e. it is unclear why many metrics were chosen for inclusion, or what the process for inclusion of metrics looks like), and report formats are not standardized. 	<p>Technology:</p> <ul style="list-style-type: none"> Develop and execute a master data management strategy.

This space intentionally blank

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
<p>Maturity Component 3:</p> <p>Practices related to governance, roles/responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the Outcome-Based Management system</p> <p>3.1 Governance (4 elements)</p> <p>3.2 Communication and Training (3 elements)</p> <p>3.3 Monitoring and Improvement (3 elements)</p>	<p>Process:</p> <ul style="list-style-type: none"> • There is a lack of defined governance structure and processes. • There is a lack of communication strategy for OBM information. • There is limited ongoing monitoring and improvement, including root cause analysis of performance. 	<p>Process</p> <ul style="list-style-type: none"> • Establish governance structure (i.e. the roles, responsibilities, organizational division alignment, practices/processes, and technology) and create documentation
	<p>People:</p> <ul style="list-style-type: none"> • OBM roles, responsibilities, and expectations are not documented. • There is no formal channel to share OBM knowledge across divisions, or communicate to employees how their work supports outcomes. 	<p>People:</p> <ul style="list-style-type: none"> • Identify and allocate resources necessary to operate OBM Governance.
	<p>Technology:</p> <ul style="list-style-type: none"> • N/A. 	<p>Technology:</p> <ul style="list-style-type: none"> • N/A

Approach to Enterprise-wide Maturity Assessment

To accomplish an organizational readiness assessment, this analysis rates DOR's current state against leading OBM practices. The framework for the assessment structured to assess at three levels: leading practices (which are organized into three components: strategic priorities, tools and governance), capabilities (which there are eight) and the 29 elements.

A summary view of this structure is stated below. The detailed framework with supporting rationales can be found in the following pages of this report.

- **Component 1:** Defined outcome-based strategic priorities that cascade down to goals and objectives within and across the agency
 - **Capability 1: Strategic Planning and Prioritization (4 elements)**
 - **Capability 2: Outcome-Based Management System Evaluation (3 elements)**
- **Component 2:** Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes
 - **Capability 3: Metrics Selection and Alignment (4 elements)**
 - **Capability 4: Outcome-Based Management Processes and Tools (3 elements)**
 - **Capability 5: Analysis and Reporting (5 elements)**

Deliverable 2: Current State Assessment

- **Component 3:** Practices related to governance, roles/responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the Outcome-Based Management system
 - **Capability 6: Governance** (4 elements)
 - **Capability 7: Communications and Training** (3 elements)
 - **Capability 8: Monitoring and Improvement** (3 elements)

The assessment rates DOR's current maturity in each of the 29 elements on a 4 point scale (outlined below and the same used in Section 4.1):

- **1 (Limited):** The element occurs in a limited, basic, or unstructured way within DOR.
- **2 (Developing):** The element occurs in a way that evidences a structured approach intention, and strategic forethought, but practices have not developed sufficiently to ensure consistency, continuity, and effective execution
- **3 (Performing):** The element has reached a level of consistency, but additional improvements could still be made to reach the leading practice.
- **4 (Leading):** The element is fully in line with the leading practice within the division

The rating legends for summary maturity information in Table 15 for the Current State score and Gap score respectively are provided in Figures 24 and 25 below.

The assessment also rates DOR's target future state maturity on the same scale, and notes the gap between current and future state maturity levels. These gaps represent areas that need to be addressed for DOR to achieve and sustain a leading, integrated OBM system.

This space intentionally blank

Deliverable 2: Current State Assessment

Summary of Enterprise-wide Maturity Assessment

Table 15 Summary view of Maturity Organizational Enterprise- wide Assessment

Components	Capability	Average Current State Score	Average Target	Average Gap ¹¹
Component 1. Defined Outcome-based strategic priorities that cascade down to goals and objectives within and across the agency	1.2 Strategic Planning & Prioritization (4 elements)	1.75	3.75	2.00
	1.2 Outcome-Based Management System Evaluation (3 elements)	1.00	3.33	2.33
Component 2. Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes	2.1 Metrics Selection and Alignment (4 elements)	1.75	4.00	2.25
	2.2 Outcome-Based Management Processes and Tools (3 elements)	1.00	3.33	2.33
	2.3 Analysis and Reporting (5 elements)	1.60	3.60	2.00
Component 3. Practices related to governance, roles/responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the management system	3.1 Governance (4 elements)	1.75	4.00	2.25
	3.2 Communication and Training (3 elements)	1.33	3.66	2.33
	3.3 Monitoring and Improvement (3 elements)	1.00	3.00	2.00

This space intentionally left blank

¹¹ Note that the color scheme for the Gap column is inverted: a smaller number represents a smaller gap to be closed, and thus a better current condition for DOR. Also note that the “best” possible score for the average gap is a 0 – which would coincide with a fully green color shading – and the “worst” possible score is a 3 – which would coincide with a fully red color shading.

Deliverable 2: Current State Assessment

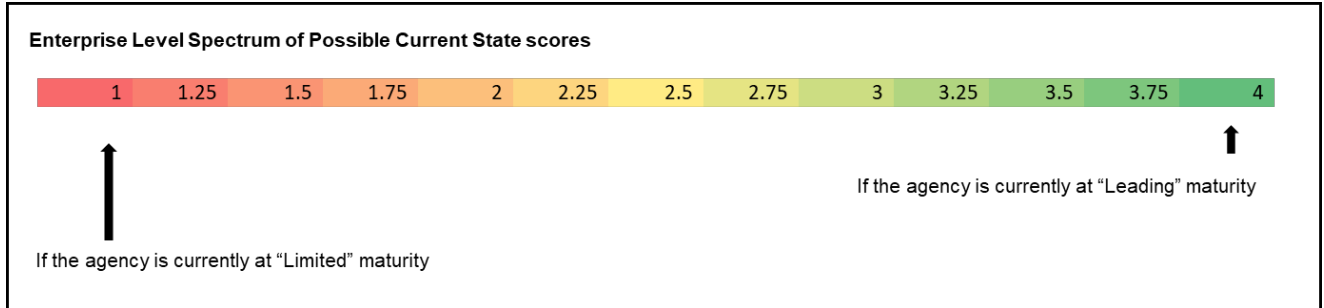


Figure 24 Enterprise Maturity Readiness Scoring Spectrum

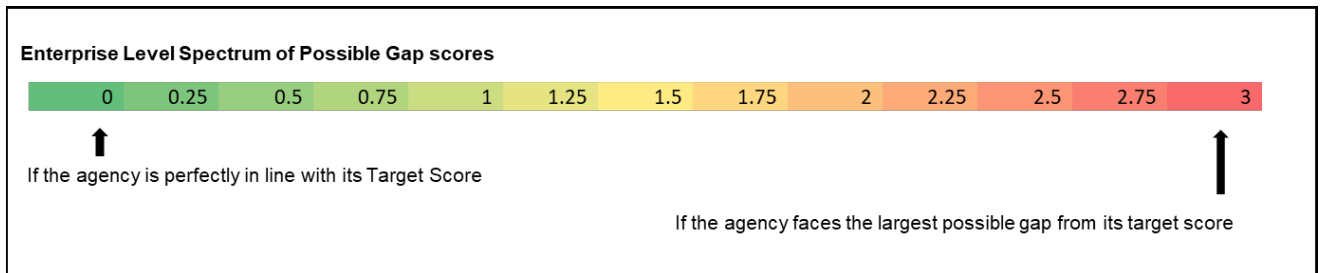


Figure 25 Enterprise Maturity Readiness Gap Score Spectrum

As an organization, DOR's current maturity rated between 1.00 and 1.75 across each of the eight capabilities in the readiness model. Target scores in each component range from 3.00 to 4.00, and thus gaps of between 2.00 and 2.33 exist. While these gaps are substantial, they are not unexpected for an organization that has not yet embarked on the full OBM transformation this assessment effort precedes. Areas of focus for DOR moving forward are strategic planning processes (including updating their Strategic Priorities, and Objectives), identify and determine metric selection and alignment, and establish a governance structure to guide ongoing operations of OBM.

Following are additional summary descriptions of how DOR scores on the Limited to Leading maturity scale across the 29 elements:

- **1 (Limited):** The element occurs in a limited, basic, or unstructured way within DOR.
 - **Current State:** 17 of the 29 elements currently score a Limited maturity.
 - **Target State:** To reach an OBM system that allows DOR to effectively manage and improve its performance, DOR should eventually have no elements that score as Limited. Therefore, of the 29 elements, DOR should eventually have no elements that score as Limited.
- **2 (Developing):** The element occurs in a way that evidences a structured approach intention, and strategic forethought, but practices have not developed sufficiently to ensure consistency, continuity, and effective execution.
 - **Current State:** 11 of the 29 elements currently score a Developing Maturity.
 - **Target State:** Of the 29 elements, there is only one element that should be allowed to score as Developing (see: Data Visualization and Dashboarding).
- **3 (Performing):** The element has reached a level of consistency, but additional improvements could still be made to reach the leading practice.
 - **Current State:** one of the 29 elements currently scores a Performing maturity (see: Executive Meetings)

Deliverable 2: Current State Assessment

- **Target State:** Of the 29 elements, there are nine elements that should score as Performing. In the long term, DOR should attempt to raise these nine elements to Leading as well; however, in the near to medium term, as DOR implements an OBM system, a Performing maturity is sufficient for these elements.
- **4 (Leading):** The element is fully in line with the leading practice within the division
 - **Current State:** No elements currently score a Leading maturity.
 - **Target State:** Of the 29 elements, there are 19 elements that should score as Leading. Given their significance to the success of the OBM effort, these elements should reach a Leading score at the outset of the OBM system implementation.

This space intentionally blank

Deliverable 2: Current State Assessment

Detailed Enterprise-wide Maturity Assessment Tables

Table 16 Organization Enterprise-wide OBM Maturity Ratings

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 1. Defined Outcome-based strategic priorities that cascade down to goals and objectives within and across the agency	1.1 Strategic Planning & Prioritization	Strategic Planning Process	Continuous planning process is fully integrated into all parts and aspects of the organization. The agency's vision is translated into structured and integrated strategies. Executive managers take ownership and provide commitments within this process.	1.00	The strategic planning process is not regularly conducted or continuous. RLT, which conducts the Department's strategic planning, is comprised of leaders from throughout the organization, but some leaders report lack of clarity in how or what to report at RLT level. The Department's Strategic Priorities and Core Business Outcomes are not yet translated into structured and integrated strategies. Executives consistently feel ownership of the metrics they have developed but do not have a common definition of OBM	3.00	2.00	While it will be important to ultimately lead in this category, a continuous planning process will be more effectively achieved once an initial process is established and the proper cadence and nature of continuous improvement can be gauged. While optimizing strategic planning may require execution and monitoring for a full cycle to reach the recommended target level of 3, the Department should build on the existing strategic activities to improve leadership's understanding in the near and to near term inform metrics development.
		Strategic Goals, Objectives and Priorities	Strategic goals, objectives, and priorities are well defined, documented, and communicated, with clear owners and accountability for executing the goals.	2.00	The strategic framework is currently being documented and refined. Most units appear to have participated in providing reasonably well-defined "objectives" (see: 2015 Agency Strategic Plan). DOR is currently evaluating its Strategic Priorities and Core Business Outcomes and reconciling them with KPMs, and the executive expresses a high degree of ownership. However, accountability for executing goals is unclear or lacking precise assignment.	4.00	2.00	Without the guide of strategic goals and objectives, OBM will lack necessary direction to be properly deployed. DOR should lead in this category from the start.
		Incorporation of Organizational/S takeholder Requirements	Organizational and stakeholder requirements are used as critical input and clearly described as context for the resulting strategic plan.	2.00	The Department has considered customer service and requirements of the Legislature in formulating its current strategic framework, though there is no systematic process for gathering stakeholder requirements, without which, full integration within the strategic planning process is unlikely to be achieved.	4.00	2.00	The Department must show that it is clearly listening to stakeholders - including the Legislature - as part of the creation of the "DOR story".
		Alignment of Metrics to Strategic Priorities	Measures are fully integrated with the agency's strategic priorities.	2.00	From the analysis of DOR KPMs and Hotsheets, current measures do not evidence a strong focus on the Strategic Priorities. Measurement has been based on the data that is available (to the extent it aligns with the individual business division/section's priorities more so than being based on an alignment of the broader Strategic Priorities of the department.	4.00	2.00	This element ensures that the strategies are fully operationalized into actionable work that promotes achievement of the Department's priorities, requiring a leading level from the start.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 1. Defined Outcome-based strategic priorities that cascade down to goals and objectives within and across the agency	1.2 Outcome-Based Management System Evaluation	Outcome-Based Management Process Analysis	Metrics, frameworks, processes, and other materials are systematically collected and evaluated to identify gaps and understand how OBM aligns to organizational goals and objectives.	1.00	Metrics are collected, but not systematically. They remain siloed and are not well evaluated against organizational goals or objectives.	3.00	2.00	While extremely important in the long run, gaps themselves won't be readily apparent until the OBM system has been operating for one complete cycle as the effective question of whether the metric performance resulted in better outcomes can only be answered after a full cycle of performance. Therefore, initially, a performing-level of maturity is sufficient.
		Outcome-Based Management Workforce Readiness	OBM workforce readiness is evaluated on a recurring basis to evaluate skill and knowledge gaps, address organizational cultural variables, and support organizational adoption of OBM practices. Change management considerations are front of mind in the organization's OBM practices.	1.00	DOR is currently experiencing change fatigue after GenTax implementation. Workforce readiness for broader OBM reforms have not been systematically assessed. Moreover, some employees may lack required skills to access and use performance data in a meaningful way.	4.00	3.00	DOR must consider organizational change management efforts to help employees adopt outcome-based measurements. Without human capital that is leading in their readiness for OBM implementation from the start, it will be almost impossible to successfully deploy an OBM system. Moreover, it is essential that there are resources that fully understand the data and can support metrics with confidence to tell a consistent internal and external story.
		Outcome-Based Management Information Systems (IMS) Analysis	IMS is reviewed on a regular basis to identify and address gaps and technology needs to improve organizational OBM practices.	1.00	DOR does not have a well-articulated strategy for how to leverage an IMS to achieve OBM – including the process to review an existing IMS to ensure effective OBM practices. The agency has expressed notable limitations in its ability to access and leverage information in the GenTax system, which would be one of several key sources of data for an OBM IMS. Systems analysis needs to be conducted to define requirements for the agency's OBM IMS, at which point it can be determined whether existing tools and technology can meet the requirements	3.00	2.00	An effective OBM system is one that allows the executive and supervisory level to see and interact with progress reports/dashboards. In order for DOR to achieve this, a robust assessment of the actual, current capability of the agency's existing technology to integrate data from multiple sources and build visualized OBM reports/dashboards at both the executive and operational level should be undertaken.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 2. Outcome-Based management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes	2.1 Metrics Selection and Alignment	Metrics Framework	Logical frameworks guide OBM definition and alignment to strategic priorities. Metrics and strategic alignment are reviewed and updated on a consistent basis across the organization.	2.00	The Department has drafted an initial framework that may support the development of metrics, including the identification of 3 Strategic Priorities and 5 Core Business Outcomes. However, this framework has not yet generated aligned metrics, and it has not been reviewed and updated on a consistent basis to ensure as much.	4.00	2.00	This element is part of the core initial infrastructure that must be fully developed and leading as a prerequisite for both initial and sustained success.
		Identification and Incorporation of New Metrics	Metrics are assessed for viability and suitability to performance goals and placed within the Outcome-Based Management framework. Research on industry-tested performance indicators and existing organizational metrics provides the foundation of metric development.	2.00	Currently, measurement selection is driven primarily by the operational needs of the core business and the demands of the Legislature. It is important that this comprise part of measure identification (see: "Organization and Stakeholder Requirements"). However, it is also important that measures are also, to an extent, designed based on industry research and are assessed based on viability and suitability to goals - these latter practices do not occur at the Department.	4.00	2.00	DOR should adopt a thoughtful and well-defined process for identifying and incorporating new metrics at the outset of its OBM efforts.
		Prioritization of Metrics	Metric viability, cost-effectiveness, and resource needs are well-documented. Following these considerations, metrics are prioritized based on performance priorities and objectives. Metric prioritization and selection sessions are transparent, use consensus-building techniques, considers metric synergy when choosing a portfolio of metrics, and are informed by leadership, managers, and business process owners. Additionally, prioritization methods are regularly revised based on changes to strategic objectives, performance goals, and environmental conditions.	1.00	Measures are not prioritized within the agency, nor are they assessed for viability, cost-effectiveness, or resource needs.	4.00	3.00	The prioritization of metrics based on viability must be considered and at "leading" maturity from the beginning of the OBM system.
		Performance Targets and Scoring	Baseline performance is based on historical data and benchmarks performance targets against industry standards to better inform goals and set realistic expectations. There is an established scoring methodology used to identify what to score (data or impact) to evaluate performance and how often scoring occurs. Additionally, the organization defines timelines and performance expectations for each target. Performance scoring is aligned to strategic priorities. A process is in place to regularly evaluate and refine targets based on actual performance and changing organizational priorities.	2.00	Several metrics are tracked against either historical or aspirational benchmarks, but it is unclear these relate to industry standards. A robust scoring mechanism is also lacking.	4.00	2.00	One of the pillars of an effective, integrated OBM system is the establishment of performance targets for all outcome-based measures, and continual scoring of the metrics against these targets. This is crucial to determine if the desired outcomes are reaching the intended state and, as such, DOR should attempt to achieve a Leading maturity rating at the outset of its OBM system implementation.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 2. Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes	2.2 Outcome-Based Management Processes and Tools	Synchronization of Outcome-Based Management Processes, Resource Alignment / Allocation, and Materials	Organizational business and Outcome-Based Management processes and procedures are synchronized across the agency. Resources, including, SMEs, SOPs, financial support, technology, and workforce requirements are defined, standardized, and allocated.	1.00	The Department is aware of several silos that impede coordination and collaboration across the agency units.	3.00	2.00	Agency synchronization is important for the efficient operation of an OBM and cross pollination of ideas and practices. However, initially it will be difficult to have a clear understanding of how to coordinate while also trying to have each unit measure what matters. Not to be confused with allowing silos, a performance level maturity enables each unit to take direction from the executive within their own processes and then calibrate and bridge across units.
		Outcome-Based Management Technology	A fully integrated OBM IMS system uses leading technology with established investments, capabilities, requirements, and roles assigned. The OBM IMS plan considers linkages with process and data collection, and includes methods for overcoming challenges to data collection, analysis, and use.	1.00	Currently, the Department does not have a plan relating to an IMS for its OBM practices. Parts of the agency have expressed challenges leveraging the data within the GenTax system to produce reliable performance metrics. This issue relates to the definition and validation of GenTax reports but is broader in scope as managing outcomes across strategic areas will require information from outside of the core processing system.	3.00	2.00	DOR should develop an effective OBM IMS, leveraging existing tools to the maximum extent possible. While the agency should eventually attain leading status for this element, it does not need to leverage the full extent of leading technology capabilities initially – and should concentrate instead at first on the core technology and process elements of a new system.
		Data Definitions, Systems, and Processes	The organization applies data management with consistent business rules. Performance management systems (whether focused on OBM or other types of performance management) are consolidated and interoperable across the organization. Data is automated, customizable, and accessible to stakeholders. Data management processes are consistent across the organization using data catalog/dictionaries and systems of records consistently.	1.00	Data accessibility has specifically been identified as a major issue with the agency, with data dictionaries and catalogues also lacking. DOR's performance management systems level of interoperability are unknown. Much of the existing data is extracted and populated into reports in an automated fashion but the data is analysis occurs in a more manual fashion.	4.00	3.00	Consistent data management enables confident interpretation of data and metrics. Confidence in performance information is critical for DOR to communicate their performance both internally and externally. Data catalogs and dictionaries guide analysts when developing insights. Interoperability of the OBM system increases information accessibility, encouraging stakeholders to obtain information from the approved system of record.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 2. Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes	2.3 Analysis and Reporting	Data and Performance Analysis	Basic and complex quality reviews and gap analyses are performed based on Agency needs and interests including measured against a baseline. Data is used to evaluate organizational performance and progress towards strategic objectives. Analytics are conducted on the data and evaluated against performance targets, thresholds, benchmarks, baselines, and for variance.	1.00	The 2016 performance management audit may be considered a gap analysis. However, data is not systematically and continuously used to evaluate outcomes against well-defined performance measures.	4.00	3.00	Ongoing analysis of outcome-based data against target thresholds will be a crucial component of an effective OBM practice from the outset.
		Results and Findings	Information is timely and accurate to support decision-making and is available on demand. Results and findings are relevant, accurate, and timely, rank data and performance, prioritize results and findings, are automated and available on demand. Information is interpreted to translate results and analysis into actionable findings and present to stakeholders.	2.00	At the agency unit level, managers can request information to aid in decision making. However, this capability depends on having dedicated resources. It's unclear that data results are translated to actionable findings. Data capture is not widely automated, and data is not widely available on demand.	4.00	2.00	It is vital that this element reach leading maturity from the outset. Actionable findings are critical for effective OBM practices. Moreover, this element will determine whether the OBM system is perceived as useful by internal stakeholders. If the system is not perceived as useful, it will soon be sidelined.
		Report Standardization	Reports, are regular, standardized, tailored to the stakeholder consuming the report, and include results against targets with narrative explanations for measurement.	2.00	Hotsheets represent regular reports with some degree of standardization, but they are too granular to be used as executive documents.	4.00	2.00	Report standardization - with some room for appropriate tailoring - will be important to achieve before an OBM system Go-Live.
		Data Visualizations and Dashboarding	User-tailored dynamic, interactive, data-populated dashboards are used for real-time decision-making capabilities.	1.00	Measures are commonly accompanied with graphics, but are not insight based, interactive (they cannot be easily segmented, "drillable" or observed through different views in a real-time manner to support management decision making.	2.00	1.00	While data visualization will be important from the outset, a performing-level maturity is sufficient initially because the content, regularity, format and tailoring of reports will likely evolve over time. Moreover, interactive dashboards may not be required as part of meaningful OBM practices at the Department.
		Executive Meetings	Coordination with primary stakeholders to prepare for meetings and set priorities and emphasis items. Presentations and reports show results against targets with narrative explanations for measurement stakeholders. Meeting are facilitated with Executives to identify the data and results that require action by the organization. Actionable plans are developed for addressing gaps.	2.00	The RLT may serve as a solid foundation from which OBM discussions can take place; however, so far RLT has not focused on DOR-wide OBM practices.	4.00	2.00	The RLT, which may be the best forum for governance over OBM, should consider OBM practices in a more regular and systemic way during its meetings. Given the crucial role of a governing body in any organization-wide initiative, this element should reach a Leading maturity from the outset of the OBM system implementation.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 3. Practices related to governance, roles / responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the management system	3.1 Governance	Executive Sponsorship	Organizational executives at the highest level vocalize support for program, attend performance review meetings, and use performance measurement to articulate organizational value and challenges in all meetings, acting on results by reinforcing success and addressing issues.	3.00	There is a high degree of leadership support for OBM, including participation, but practices have not been widely implemented.	4.00	1.00	Executive sponsorship will help OBM practices cascade throughout the Department. This must be at leading maturity from the outset. It ensures the proper flow of information and action required to implement OBM.
		Roles, Responsibilities and Accountability	Roles and responsibilities are well defined throughout the organization. Expectations are written in SOPs or program strategy. Stakeholders take ownership of their metrics, data, policies and practices. Each function has bought in to collective efforts to improve the management of the system. The review, practices and processes of the lifecycle are well defined.	2.00	Although there are certain elements of this OBM practice and considerable buy-in from leadership, performance management roles and responsibilities are not well-defined throughout the Department, and performance management is not codified.	4.00	2.00	OBM integration requires organizational culture and behavioral changes that will inevitably lead to some resistance. Without clear, compelling direction and leadership from the executive team, OBM will not succeed.
		Review, Feedback, and Communication Mechanisms	Review, Feedback, and Action Monitoring is consolidated into a single role and assigned ownership. Individuals are assigned responsibility for actions and monitoring actions to completion. There are mechanisms to maintain maximum alignment, accountability, and responsibility with changing operational needs.	1.00	This review, feedback, and action loop has not been established in any formal fashion. Some elements of it exist in some divisions.	4.00	3.00	DOR must be leading from the outset because this element connects expectations of the OBM system to individuals responsible. This will be crucial to demonstrate to stakeholders that the Department is making progress against performance targets.
		Course Correction	A fully integrated and dynamic course correction plan allows leadership to make decisions based on performance results and strategic goals. There are standardized corrective action templates, well-defined roles and responsibilities for management and execution. The plan includes mechanisms to incentivize alignment, accountability, and responsibility.	1.00	Course correction measures are undertaken informally and ad hoc depending on the division and/or situation.	4.00	3.00	Dynamic course correction plans will help ensure that, when DOR does not meet a performance target, an improvement plan that has already been discussed and agreed upon will be implemented.

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 3. Practices related to governance, roles / responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the management system	3.2 Communication and Training	Program Communication	Developed communications and outreach strategy targeting executive, management, and business process performance. Well-defined, established, and facilitated program communications and outreach plans are used to increase stakeholder awareness and integration across the organization to reinforce the program's importance to strategic objectives and mission success. The organization consistently disseminates performance data sheets, templates, and aggregate information to stakeholders.	1.00	Lack of communications coordination has served as evidence to external parties that DOR faces internal challenges.	4.00	3.00	Given the circumstances facing DOR, communications with leading-maturity will ensure that the agency can manage the narrative around OBM implementation rather than react to scrutiny.
		Knowledge Transfer and Collaboration	There is facilitated sharing and developing of best practices across the organization and among other agencies, including documenting them as part of the organization's process.	2.00	While DOR communicates certain aspects of performance to the Legislature upon request, best practices relating to performance practice and policy do not appear to be shared across the agency units within the agency, or with other organizations.	3.00	1.00	DOR should attempt to make progress eliminating the siloed nature of OBM practices through coordinated efforts organized by RLT. In the near term, a performing level will be sufficient, realizing that a culture of truly effective OBM requires robust knowledge transfer and collaboration in the future.
		Staff Training	The organization conducts facilitated sessions to establish greater understanding of how performance impacts the mission and supports strategic objectives and priorities. Training sessions are used to directly enhance client capabilities in meeting goals and objectives through service delivery.	1.00	The RLT may have a general awareness of OBM practices, but actual trainings on the subject of OBM need to reach further down within DOR to help employees understand their role in OBM – including trainings on the OBM system that DOR eventually creates and implements.	4.00	3.00	To help ensure the OBM system is truly integrated throughout DOR, training employees on their role in the system will be important from the outset. This will help drive an ownership mentality of the OBM goals

Deliverable 2: Current State Assessment

Components	Capabilities	Elements	Leading Practice	Current State Score	Score Rationale	Target	Gap	Target Rationale
Component 3. Practices related to governance, roles / responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the management system	3.3 Monitoring and Improvement	Monitoring of Course Correction Activities	A corrective action process is in place and regularly followed that engages stakeholders to determine root causes and prioritizes interests or develop a corrective action plan to refocus on key performance areas, including a corrective action monitoring plan to evaluate changes.	1.00	Similar to course correction measures, corrective actions are undertaken informally and ad hoc depending on the business division/section and/or situation.	3.00	2.00	A corollary to "course correction", Department management must understand the effectiveness of its course correction activities in order to continually improve them.
		Measure / Indicator Improvement	Performance targets and metrics are added, removed, or modified based on the relevance of data and information that accurately assesses the organization's strategic performance priorities. This information is reviewed and challenged by management.	1.00	The measures in the Department's current Hotsheets do evolve according to the needs of the agency unit producing them. Managers often request updates/changes. Management is aware the currently tracked measures do not provide information that accurately assess the organization's Strategic Priorities, but this has not yet translated into revision of performance measures and targets.	3.00	2.00	The parts of the system that lead to ongoing monitoring and improvement can be, initially, held at the performing maturity level. A certain degree of piloting and adapting the system to the needs of the agency must take place before DOR is able to lead in this area.
		Program / Initiative Improvement	The organization conducts regular assessment of programs and initiatives, including identification of root causes of performance results with managers.	1.00	At the managerial level, there is some monitoring of core processes. However, it is unclear that root cause performance analyses are performed.	3.00	2.00	Regular, comprehensive assessments of programs and initiatives will eventually be an important part of an integrated OBM system at DOR.

Deliverable 2: Current State Assessment

Section 5: Summary of Observations and Opportunities

The following table provides a consolidated summary of the observations and opportunities identified within each section of the Current State Analysis.

Table 17 Summary of Observations, Gaps, and Opportunities

Area of Review	Summary of Observations	Key Opportunities
<p>Assessment of Strategic Planning Process (Section 3.1)</p>	<ul style="list-style-type: none"> • Strategic planning process does not follow an existing, repeatable process and is reactive rather than proactive • Planning is top down, while information is provided bottom up, leading to misalignment • Further work is needed to link strategic priorities to measurable outcomes and metrics 	<p>Finalize agency strategy</p> <ul style="list-style-type: none"> • Define Comprehensive Strategic Planning Process and Cycle • Conduct a full Strategic Planning Cycle and proactively set Goals <p>Implement agency strategy and integrated OBM through selected governance structure</p> <ul style="list-style-type: none"> • Execute defined governance processes to evaluate metrics, create and monitor action plans, maintain accountability, and foster continuous improvement • Identify measurable outcomes and metrics to track progress • Collect data to support metric reporting • Align resources to support achievement of outcomes
<p>Assessment of Strategic Priorities and Alignment (Section 3.2)</p>	<ul style="list-style-type: none"> • Participants in the Visioning Lab categorized all brainstormed objectives in the areas of Customer Service, Employee Engagement and Equity and Uniformity into the “Cultivate It” type. Because Cultivate requires improved language this suggests a lack of clarity for the messages in these areas • Most of the objectives selected by the Work Group participants aligned to Customer Experience, followed by Enforcement and Employee Engagement. However, within Work Groups organized by function, the distribution of objective alignments changed, suggesting 	<ul style="list-style-type: none"> • Complete currently ongoing work in defining clear strategic objectives for Customer Service, Employee Engagement and Equity and Uniformity. Disseminate the selected framework definitions throughout the organization • As the Cultivate work is finalized, determine DOR’s expectation for how each unit should prioritize Core Business Outcomes relative to the entire agency • DOR should consider whether Equity and Uniformity may be better represented differently, e.g., as an agency-wide value, rather than a Core Business Outcome

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
	<p>each functional unit sees itself as having a unique focus versus and agency-wide perspective. Each area should be able to understand their contribution to every area</p> <ul style="list-style-type: none"> Participants in the Working Group sessions did not select any Objectives aligned to the Core Business Outcome Equity and Uniformity. This raises a question as to whether there is common understanding of the definition or support for the outcome directly or whether it is perceived as embedded in a broader body of work 	<p>See above</p>
<p>Assessment of Current Metrics (Section 3.3)</p>	<p>Hotsheet Metrics</p> <ul style="list-style-type: none"> Many metrics, which are the primary source of organized measurement at DOR, serve an important operations management function, but they are not informative related to outcomes, nor are they stratified for executives The metrics captured to do not necessarily tell a division-level business story; nor does is reflect cross-agency progress <p>KPMs</p> <ul style="list-style-type: none"> KPM level of granularity is too varied (i.e. some are too specific, others are too broad). KPM targets are not based on industry benchmarks and are in some instances likely not attainable There is a lack of participating employee and leadership buy-in for certain KPMs; strategies and solutions to improve buy in are not defined 	<p>Hotsheet Metrics</p> <ul style="list-style-type: none"> Hotsheets should be rationalized (even in the current complement) to arrive at a high value set of metrics Ensure all retained metrics have targets and action plans Stratify remaining Hotsheet metrics into strategic metrics for RLT consumption and operational metrics for divisional use <p>KPMs</p> <ul style="list-style-type: none"> Collaborate with Legislative Stakeholders to improve alignment between the Strategic Priorities and KPMs Establish KPM targets based on industry benchmarks

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
	<p>Peer State Comparisons</p> <ul style="list-style-type: none"> • The areas of publicly available metric focus vary significantly • Appeals-related metrics appear to be widely tracked in comparator states, whereas DOR does not appear to have a similar emphasis in the KPMs 	<p>Peer State Comparisons</p> <ul style="list-style-type: none"> • Continue to evaluate publicly available metrics used by peer states for potential incorporation into DOR's measurements (Deliverable 3) <p>See above</p>
<p>Current Outcome-Based Management Maturity by Division (Section 4.1)</p>	<ul style="list-style-type: none"> • The Business Division, HR Section, Processing Center Section, PTAC Division, and Property Tax Division should reach a high-level ("Leading") OBM maturity to enable DOR to achieve an effective OBM system • Though no division/section within DOR currently achieves a "Leading" level of maturity across people, process, or technology, there are foundational elements found across the business units that provide a starting foundation • The Business Division had the highest average maturity scores overall, indicating the division is performing elements (e.g., tracking certain outcome measures) of OBM consistently, but still has room to refine its efforts to reach the level of "Leading" practice behavior, (e.g., establish a process for developing metrics with performance targets, create better alignment of tracked metrics to the Core Business Outcomes) and to develop ongoing monitoring and course correction action plans 	<ul style="list-style-type: none"> • Leverage the Business Division's capabilities to help other divisions improve across the People, Process, and Technology dimensions of OBM. Human Resources can contribute Process expertise, and Communications technology tool expertise • Prioritize addressing gaps in HR, Processing Center, Personal Tax and Compliance, and Property Tax. There are relatively larger gaps in these divisions/sections and each has been recommended to achieve a "Leading" maturity rating

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
	<ul style="list-style-type: none"> The largest gaps are currently faced by the Processing Center Section, Property Tax Division, and Financial Services Division. These gaps occur for a variety of reasons, which are noted at length in the detailed tables below 	
<p>(Section 4.1)</p> <p>Maturity Component 1: Defined Outcome-based strategic priorities that cascade down to goals and objectives within and across the agency</p> <p>1.1 Strategic Planning & Prioritization <i>(4 elements)</i></p> <p>1.2 Outcome-Based Management System Evaluation <i>(3 elements)</i></p>	<p>Process:</p> <ul style="list-style-type: none"> Strategic planning process does not provide established practices for accountability for developing, communicating, and monitoring performance results <p>People:</p> <ul style="list-style-type: none"> There is lacking a concerted push for people aspects of organizational adoption of OBM – including addressing cultural factors, change management, and skill gaps <p>Technology:</p> <ul style="list-style-type: none"> Data analysis and reporting tools required to support business intelligence related to OBM are not available agency-wide 	<p>Process:</p> <ul style="list-style-type: none"> Define and execute comprehensive strategic planning process with regular update cycles and continuous improvement channels. Include stakeholder engagement, metrics evaluation, and accountability practices <p>People:</p> <ul style="list-style-type: none"> Determine factors necessary for organizational OBM adoption and implement plans to address cultural barriers, including the creation of an organizational change management strategy to support an effective and sustained transition to long-term OBM Develop a “second generation” (i.e. post-GenTax) training and organizational change management program to align processes and skills of employees <p>Technology:</p> <ul style="list-style-type: none"> Leverage existing tools, especially within GenTax, to build effective reports. Conduct an analysis of OBM system requirements and needed capabilities to determine if they can be fully met with existing technology and tools
<p>Maturity Component 2: Outcome-Based Management process and tools, which include metrics, dashboards, and reporting processes, that inform on progress and outcomes</p>	<p>Process:</p> <ul style="list-style-type: none"> There is no established agency-wide process and framework for metric evaluation, selection, and prioritization <p>People:</p> <ul style="list-style-type: none"> Resources for OBM are not defined and allocated <ul style="list-style-type: none"> Hotsheet discussions with RLT are not coordinated 	<p>Process:</p> <ul style="list-style-type: none"> Create and adopt metrics framework <p>People:</p> <ul style="list-style-type: none"> Identify and allocate resources necessary to operate OBM Governance

Deliverable 2: Current State Assessment

Area of Review	Summary of Observations	Key Opportunities
<p>2.1 Metrics Selection and Alignment (4 elements)</p> <p>2.2 Outcome-Based Management Processes and Tools (3 elements)</p> <p>2.3 Analysis and Reporting (5 elements)</p>	<p>and facilitated across divisions, nor are improvement actions</p> <ul style="list-style-type: none"> Accountability for action plans are not centrally tracked and managed Ability to access and interpret data varies widely across divisions <p>Technology:</p> <ul style="list-style-type: none"> Data standards, catalogs, and dictionaries are insufficient to support development of metrics Content of reports are not rationalized (i.e. it is unclear why many metrics were chosen for inclusion, or what the process for inclusion of metrics looks like), and report formats are not standardized 	<p>Technology:</p> <ul style="list-style-type: none"> Develop and execute a master data management strategy
<p>Maturity Component 3: Practices related to governance, roles/responsibilities definition, decision-making, and any other processes that ensure sustained effectiveness of the Outcome-Based Management system</p> <p>3.1 Governance (4 elements)</p> <p>3.2 Communication and Training (3 elements)</p> <p>3.3 Monitoring and Improvement (3 elements)</p>	<p>Process:</p> <ul style="list-style-type: none"> There is a lack of defined governance structure and processes There is a lack of communication strategy for OBM information There is limited ongoing monitoring and improvement, including root cause analysis of performance <p>People:</p> <ul style="list-style-type: none"> OBM roles, responsibilities, and expectations are not documented There are few formal channels to effectively share OBM knowledge across divisions, or communicate to employees how their work supports OBM, agency Strategic Priorities or ore Business Outcomes. 	<p>Process:</p> <ul style="list-style-type: none"> Establish governance structure (i.e. the roles, responsibilities, organizational division alignment, practices/processes, and technology) and create documentation <p>People:</p> <ul style="list-style-type: none"> Identify resources and skills required to initiate and staff governance body

Deliverable 2: Current State Assessment

Section 6: Conclusion and Next Steps

Collectively, the observations and key opportunities derived from the Current State Assessment of OBM at DOR lead to cross-cutting enterprise-level observations and opportunities. The three high-level priority areas for improvement that emerged throughout the Current State Assessment were strategic planning, OBM governance, and metrics selection and prioritization. Each area reflects the need for commitment and drive from DOR leadership.

1. Current strategic planning efforts are ad hoc and reactive. Next steps include an opportunity for DOR to document and execute a comprehensive forward-looking strategic planning process to finalize the agency strategy and align on the Strategic Priorities and Core Business Outcomes. The strategic planning process can then be conducted at regular defined intervals and include pathways for relevant updates outside those intervals as dictated by proactive monitoring for emerging trends.
2. The governance processes that exist at DOR today are inadequate to support an integrated OBM system. As a next step, there is an opportunity for DOR to establish and document an agreed upon governance structure for OBM that includes roles, responsibilities, processes, tools/technologies, resourcing, and accountability for results. Once established, the strategic planning process will provide inputs to OBM governance in terms of Strategic Priorities, Core Business Outcomes, and Objectives. The governance process will then guide selection and prioritization of aligned metrics through a metrics framework.
3. Although the metrics selection and alignment process will be a component of the OBM governance structure once it is established and operating, there is an opportunity to make near term improvements in how metrics are selected and monitored by RLT using a metrics framework. A next step is to develop a metrics framework to evaluate, prioritize, and operationalize metrics, which will be part of the upcoming OBM System Work Plan deliverable within the OBM Operating Model.

Observations indicate an additional opportunity to advance organizational adoption of OBM through a “second generation” organizational change management and training program. This program would seek to achieve greater alignment between DOR business processes and GenTax system functionality and capabilities by offering employees additional level appropriate training to ensure they have the knowledge and skills to execute the defined business processes as intended within GenTax.

There is also an opportunity to improve the ability of DOR employees to operationalize OBM by defining and executing a master data management strategy. The strategy will seek to ensure that data standards are defined and followed to maintain data validity and provide resources to support those extracting data for OBM reporting from the system to enable consistent and correct data interpretation.

Both the second generation and organizational change management program and master data management strategy tasks will appear as steps on the OBM Roadmap within the upcoming OBM System Work Plan deliverable.

Deliverable 2: Current State Assessment

Table 18 Summary of Enterprise Observations and Strategic Opportunities

Enterprise Observations	Strategic Opportunities
Strategic planning process is ad hoc, reactive, and based on hindsight	Document a forward-looking strategic planning process, finalize agency strategy, and complete alignment on Strategic Priorities and Core Business Outcomes
There is a lack of defined structure, processes, and supporting resources for OBM governance	Establish governance structure (i.e. the roles, responsibilities, organizational division alignment, practices/processes, and technology) and create documentation. Identify and allocate resources necessary to operate OBM Governance
There is only a limited push for organizational adoption of OBM	Address barriers to adoption of OBM through “second generation” training and change management
There is varying ability to access and interpret existing data	Develop and execute a master data management strategy
Hotsheets do not provide leadership sufficient insight into meaningful, outcome-based metrics because there is no for process selecting meaningful metrics	Develop a metrics framework to evaluate, prioritize, and operationalize metrics (Deliverable 3)
There is no standard OBM analysis and reporting system	Thoroughly assess current technology abilities to evaluate whether existing tools are sufficient to implement and maintain effective OBM analysis, reporting, and monitoring at different levels of the agency.
There is no documented plan for accomplishing the initiation and execution of an OBM system	Develop a roadmap to the integrated OBM system at DOR (Deliverable 3)

This space intentionally blank

Deliverable 2: Current State Assessment

Section 7: Appendices

7.1 Detailed Approach

In conducting the Current State Assessment, a three-phased methodology was used to provide both structure and sufficient flexibility to accommodate the environment and circumstances surrounding DOR. The methodology phases included Data Gathering, Gap Assessment and Opportunity Identification.

Additional contextual considerations were also considered. While the information was gathered through data collection the value and impact were such that it is beneficial to understand their context and impact separately. These context items include framing related to the Core System Replacement, Agency Change Fatigue, Key Audits, Budget Notes, Existing Metrics and Strategic Planning all of which are detailed more distinctly in section 7.1 (b).

7.1(a) Approach and Methodology

1. Collect Data

Data collection occurred through a series of inputs. These inputs range from review of existing documentation; to discussion with both leadership, participating employees, and legislative stakeholders; to research into metrics used by comparison state departments of revenue. Together, they provide the defining insights upon which the conclusions of the Current State Assessment rest. Figure 26 below (Approach to Developing Key Deliverables) provides a detailed overview of the inputs for the assessment, also relating these inputs to the outputs of this project.

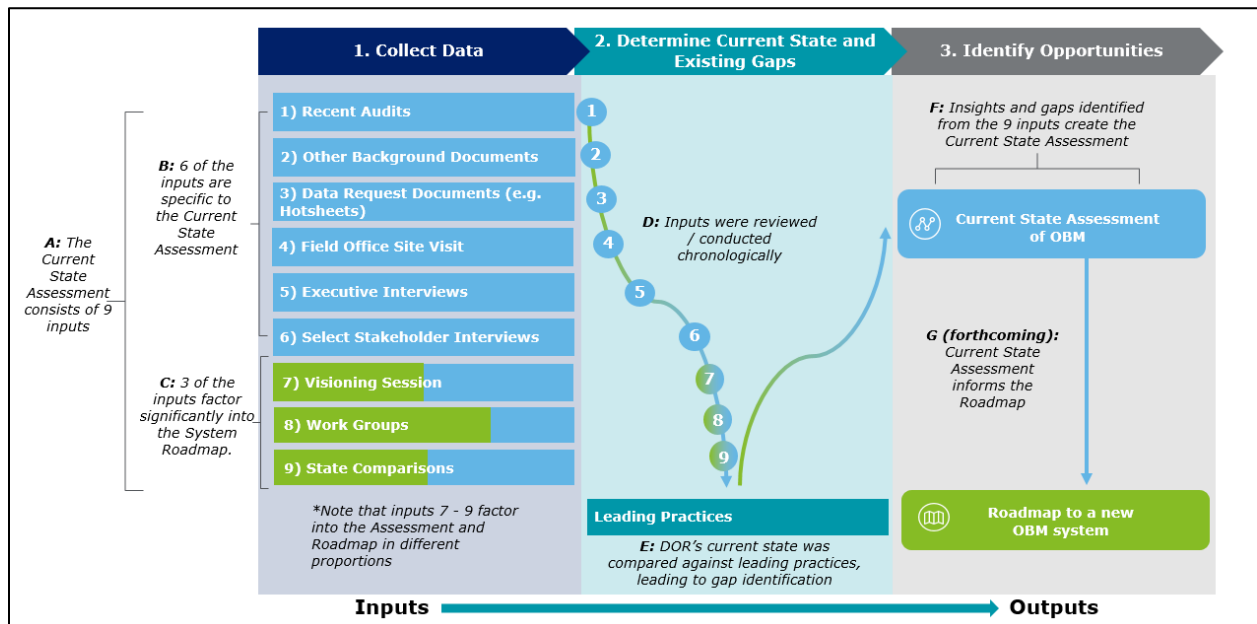


Figure 26 Approach to Developing Key Deliverables

Within the Collect Data phase, the team used information from nine distinct inputs. The following is a more detailed overview of the inputs used to evaluate DOR's readiness to develop an integrated OBM system. Note that the tables below correspond to the content under the "Collect Data" column in the Figure 26 above.

Deliverable 2: Current State Assessment

Table 19 Overview of Inputs

1) Recent Audits		
Components of this Input	Significance of this Input	Use of this Input
<p>Six recent DOR audits were reviewed for relevance to OBM implementation at DOR. The two most significant audits are the following:</p> <ol style="list-style-type: none"> 1) Secretary of State (SoS) DOR GenTax IT Controls Audit, Report 2018-08 2) DOR Internal Performance Management Audit, Report 2017-02 	<p>The audits provide important context for DOR's current state and provide insight into the agency's overall readiness to undertake the additional change required by OBM implementation.</p>	<p>The Recent Audits input informs the report comprehensively and is discussed throughout.</p>

2) Other Background Documents		
Components of this Input	Significance of this Input	Use of this Input
<p>The team undertook a detailed review of both documents that were provided by DOR and documents that were publicly available, including:</p> <ol style="list-style-type: none"> 1) DOR 2015 Strategic Plan 2) 2017 – 2021 Draft Strategic Framework (draft) 3) 2017 – 2021 Strategic Priorities, Goals and Outcomes (draft) 4) DOR Organizational Chart (July 2018) 5) Core System Replacement Project Closeout Report (July 2018) 6) RLT Charter (August 2018) 7) RLT Monthly Management Report (August 2018 and October 2018) 8) DOR Annual Performance Progress Report (2017 and 2018) 9) 2017 Regular Session Budget Report (DOR 2017-19) 	<p>Analysis of this input provides additional context to the organization's historical performance, the drivers of the current strategic planning process, and the many other contextual factors – such as audits and budget notes – that shape DOR's current state.</p>	<p>The Other Background Documents input informs the report comprehensively and is discussed throughout.</p>

Deliverable 2: Current State Assessment

3) Data Request Documents		
Components of this Input	Significance of this Input	Use of this Input
DOR submitted over 40 unique documents in response to the data request for this assessment. It was determined that 16 of these documents were reports focused on performance metrics, known as Hotsheets. These Hotsheets tracked a total of 164 different metrics.	The metrics were analyzed in depth, focusing on their alignment with the current draft strategic framework, and whether metrics had established targets, narrative explanations of performance, and action plans. Analysis of this input also reveals the degree to which DOR measures operational metrics (such as input, throughput, and output) versus strategic outcomes.	The Data Request Documents input factors significantly into the analysis of current metrics (Section 3.3.1 and Section 3.3.2).

4) Field Office Site Visit		
Components of this Input	Significance of this Input	Use of this Input
The team visited DOR's Portland field office, conducting: <ul style="list-style-type: none"> ○ One-on-one and small group discussion sessions with participating employees ○ Staff observation 	The visit provided important insights on the current use of performance metrics, policy implications and audit execution.	The Field Office Site Visit input is discussed within Section 3.2.

5) Executive Interviews		
Components of this Input	Significance of this Input	Use of this Input
Individual interviews were conducted with the following DOR leadership, including all members of the RLT: <ul style="list-style-type: none"> ○ Director ○ Deputy Director ○ Internal Audit ○ Property Tax Division ○ Financial Services Division ○ Research Section ○ Communication Section ○ Business Division (both current and incoming) ○ Collections Division (incoming) ○ IT Division ○ Personal Tax and Compliance Division 	The Executive interviews provided first-hand perspectives from leaders across DOR, ensuring that this assessment captures views across the agency. A full listing of the interview questions is available in the Appendix Section 7.2.	The Executive Interviews input largely informs Sections 4.1 and 4.2, although findings from these interviews are also discussed throughout.

Deliverable 2: Current State Assessment

5) Executive Interviews		
Components of this Input	Significance of this Input	Use of this Input
<ul style="list-style-type: none"> ○ HR Section ○ Legislative Affairs 		

6) Select Stakeholder Interviews		
Components of this Input	Significance of this Input	Use of this Input
<p>Interviews were conducted with the following additional stakeholders:</p> <ul style="list-style-type: none"> ○ DOR's Analyst from the Legislative Fiscal Office (LFO) ○ DOR's Analyst from the State Chief Financial Office (CFO) ○ Legislators – 3 (2 Senators and 1 house member) ○ Strategic Technology Officer, Department of Administrative Services ○ GenTax Support, DOR Information Technology ○ GenTax Production Support, FAST Enterprises ○ DOR's Policy advisors (former and current) 	<p>The Select Stakeholder Interviews provided first-hand perspectives from leaders external to DOR, ensuring that this assessment has a view of the agency that is representative of external stakeholders.</p>	<p>The Select Stakeholder Interviews input largely informs enterprise-wide readiness to implement OBM in Section 4.2, although findings from these interviews are also discussed throughout.</p>

7) Visioning Session		
Components of this Input	Significance of this Input	Use of this Input
<p>Facilitated 3-hours Visioning Lab was held with DOR leadership to identify and foster consensus on an initial list the agency Objectives to inform the employee Work Group activities. This vision should be refined as DOR continues work on their 2017-2021 strategic framework.</p>	<p>The Visioning Session provided an opportunity for DOR leaders to discuss Strategic Priorities and Core Business Outcomes, and Objectives aligned to the strategic framework.</p>	<p>The Visioning Session input is discussed in Section 3.2.</p>

Deliverable 2: Current State Assessment

8) Work Groups		
Components of this Input	Significance of this Input	Use of this Input
<p>A series of facilitated Work Sessions were conducted. There were 8 sessions with participating employees totaling 18 hours of interaction – five Working Groups of three hours each for Core Business and Cross Functional Groups, and 3 Working Sessions of one hour each for Support Services Groups.</p> <p>The Work Groups were organized into eight clusters, which represented:</p> <ul style="list-style-type: none"> • Core Business Groups: DOR divisions that perform self-contained, end-to-end functions (Property Tax, Non-Filer/Audit, Tax Policy/Research) • Cross Functional Groups: Groups within the agency that perform a similar service for different parts of the core business (Tax Collection, Tax Processing) • Support Services Group: These teams provide the necessary auxiliary resources and supplemental work to enable the core business and cross functional areas (Financial Services Division, Information Technology Services (ITS) Division and Human Resources Section) <p>In total, the Work Groups included over 65 unique participants (some participants attended multiple Work Sessions). A complete listing of participant titles and divisions is available in the Appendix Section 7.3.</p>	<p>The Work Groups were designed to foster consensus around the Drivers and Levers that support the OBM Objectives identified by DOR leadership. Broadly speaking, Drivers are the factors that influence the likelihood of achieving an objective. Levers are the activities that control the Drivers.</p> <p>Moreover, in conjunction with the Executive Interviews and Visioning Session, the Working Groups ensure that this assessment provides a view of perspectives related to OBM within DOR across divisions, functions, and organizational layers.</p>	<p>The Work Groups input is discussed in Section 3.2.</p>

Deliverable 2: Current State Assessment

9) State Comparisons		
Components of this Input	Significance of this Input	Use of this Input
<p>Performance metrics reported by nine comparison states were considered. Comparison states were selected into two groups – those geographically proximate to Oregon and those states that have similar tax administration characteristics. In selecting the comparison states, use of GenTax and population were factors for both groups. Annual tax revenues and tax types administered by the state’s Department of Revenue were also considered when selecting similar tax administration states. For this analysis, publicly available information was collected, and outreach to the states was conducted. The following are the states selected:</p> <p>Geographically proximate:</p> <ul style="list-style-type: none"> ○ Washington (GenTax) ○ Idaho (GenTax) ○ Nevada <p>Similar tax administration:</p> <ul style="list-style-type: none"> ○ Louisiana (GenTax) ○ South Carolina (GenTax) ○ Colorado (GenTax) ○ Wisconsin (GenTax) <p>Additional states responding to the data request:</p> <ul style="list-style-type: none"> ○ Pennsylvania (GenTax) ○ New York 	<p>Peer state comparisons provide additional perspective on metrics used by other state departments of revenue. DOR’s current metrics are also compared to illustrative performance indicators for tax administrations as compiled by the International Monetary Fund and leading measures from the Knowledgebase to provide insight into potential existing measurement gaps at the agency.</p>	<p>The State Comparisons input is discussed in section (Section 3.3.3).</p>

2. Determine Current State and Existing Gaps

Each of the nine inputs was analyzed / conducted / facilitated in a relatively chronological order throughout the assessment. Each of these inputs provided information that, when taken collectively, provided a comprehensive overview of DOR’s Current State of OBM. Specifically, the inputs inform the analysis surrounding DOR’s Strategic Planning Process (Section 3.1), Agency Alignment with Strategic Priorities and Core Business Outcomes (Section 3.2) and Assessment of Current Metrics (Section 3.3).

DOR’s current state was then evaluated on a division-by-division basis. Each of the nine DOR divisions / sections was compared against a recommended future target OBM maturity, factoring in the current state of People, Process, and Technology. DOR was then compared against 29 leading OBM practices that

Deliverable 2: Current State Assessment

Knowledgebase was developed based on industry and accumulated expertise from similar engagements. The resulting gap analysis provides a view of where DOR stands against recommended target maturity and readiness, both on a divisional level and an organization enterprise-wide level.

3. Identify Opportunities

With the current state and existing gaps documented, key opportunities to improve OBM practices in the future were identified. These key opportunities are listed at the outset of Section 3 and Section 4, and summarized in Section 5. Each key opportunity is framed in the context of the summarized observations that led to their identification. Finally, keeping the key opportunities in mind, conclusions and next steps were developed in Section 6. This section provides a high-level, forward looking discussion that summarizes the most significant enterprise-level observations and opportunities resulting from this assessment.

The key opportunities, conclusions, and next steps will factor significantly into the creation of the forthcoming OBM System Work Plan (Deliverable 3).

7.1(b) Significant Contextual Factors

In addition to the phases identified in the detailed Approach described above, there were several contextual factors considered, these factors are described in the detail below

Core System Replacement (CSR)

The replacement and modernization of the agency's core information system was the agency's primary focus from 2014 to 2017. DOR gradually implemented GenTax – a Commercial Off-The-Shelf (COTS) software product developed by FAST Enterprises – in four rollouts from 2014 to 2017:

- Rollout 1 (2014): Corporation and Tobacco Tax Programs
- Rollout 2 (2015): Personal, Transit, Self-Employment, Deferral, Estate, and 911 Programs
- Rollout 3 (2016): Withholding, Transit Payroll, OAA, Marijuana, and Small Programs
- Rollout 4 (2017): Remaining Programs

This system fundamentally changes work processes, data use and availability, as well as the relation of the work to the structure of the organization. Efforts to stabilize these factors and align them to take full advantage of GenTax's capabilities are ongoing and will help set the foundation from which to build a more rigorous OBM system.

Agency Change Fatigue

During this assessment, leaders and participating employees within DOR frequently cited the agency's current change fatigue. Change fatigue occurs when an organization is exposed to significant or long-lasting changes in its people, processes, or technologies. System implementation on the scale of GenTax requires ongoing and significant organizational change management efforts and, as such, transition to the new core system is a large reason for the current fatigue. Although DOR did conduct an Organizational Change Leadership program as part of the GenTax implementation, the July 2018 Core System Replacement Close Out report lists organizational change management as a key opportunity for improvement. The report cites insufficient resources dedicated to organizational change management after Rollout 2, and lack of sustained efforts after conclusion of the project. Interviewees validated that insufficient ongoing organizational change management continues to be a challenge in many parts of the agency. In particular, there is still a need for employees' roles and business processes to be updated and

Deliverable 2: Current State Assessment

more aligned to the structure of GenTax in order to optimize GenTax functionality in the execution of DOR's service delivery.

With some employees in a fatigued state, and considerable scrutiny from external stakeholders including multiple audits and budget notes, concerns over employee morale were raised during the 2017 legislative session. The Secretary of State's (SoS) Customer Service, Culture Audit, and Cyber Security report will be helpful in evaluating the level of change fatigue and morale at DOR, however, the initial findings are not available for consideration in this assessment. Results of this culture audit may provide additional information on DOR's readiness to implement an integrated OBM system.

DOR leadership understands the need for clarity on priorities and measures of progress toward achieving the established priorities, and therefore have a desire to advance the maturity of OBM. Given the level of change fatigue already present within the agency, leadership must set realistic expectations around additional change and include strategies in the OBM effort that help expand the agency's capacity to take on additional change.

Key Audits

DOR has recently undergone (or is still undergoing) six audits. These audits are both internal and external; operational and cultural. The audits include:

- Secretary of State (SoS) Service, Culture, and Cyber Security Audit (ongoing)
- SoS Audit of CSR Business Case/RFP
- SoS Audit titled "Oregon Department of Revenue: GenTax Accurately Processes Tax Returns and Payments, but Logical Access and Disaster Recovery Procedures Need Improvement, Report Number 2018-08, February 2018 (referred to within this report by the audit's short title: "DOR GenTax IT Controls")
- SoS Fiscal 2018 CAFR Audit
- DOR Internal Performance Management Audit
- A closely related audit focusing on DAS

Each audit provides insight into the status of the agency at the time the audit was conducted, and the orientation of the agency since the audit. These results are informative and provide context and a sense of progress, both of which are important as the current state is considered. The two audits most applicable to the OBM assessment are the Secretary of State Audit of DOR GenTax IT Controls (2/2018) and DOR Internal Performance Management (published 11/2016).

The February 2018 SoS DOR GenTax IT Controls audit report highlights state that "The Oregon Department of Revenue (DOR) designed and implemented controls in their GenTax system to provide reasonable assurance that tax return and payment information remains complete, accurate, and valid from input through processing and output." The audit also lists the following relevant key findings:

- "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."
- "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."

This audit was reviewed because concern was raised during interviews with internal and external stakeholder about the accuracy and reliability of data. The audit finding support the conclusion that there are sufficient internal controls to ensure effective processing of payments and tax returns, however, the audit scope did not extend to affirming that the current reporting structure was sufficient to ensure

Deliverable 2: Current State Assessment

effective performance data reporting. At the agency's request, the consulting team has provided a high-level characterization of the data and information management challenges the agency must address to move forward with implementation of an OBM system.

DOR's Internal Audit group published a report in November of 2016 on the performance management practices at DOR. The report cited three conclusions relevant to OBM:

- An “established predefined and documented performance management system and governing framework does not exist at Revenue. However, *elements* of such a system and framework do exist and are scattered about the agency.”
- “An internal performance management reporting tool does not exist at Revenue. The Hot Sheet is the closest such tool”
- “...performance metrics and corresponding benchmarks do not exist at revenue.”

DOR's Internal Audit also provided recommendations associated to these findings, including but not limited to the recommendation to “adopt a performance management system and governing framework that is ‘right sized’ for Revenue”, “create a common language of... performance management terminology”, “develop a reporting tool”, “create appropriate benchmarks”, and “evaluate... whether performance metrics align with strategic plans and desired outcomes”. Detailed review of the current state indicates that there is still considerable work to be done to meaningfully achieve the recommendations provided within the internal performance management audit.

Budget Notes

Including the Budget Note that sourced this project, there are nine budget notes that have required attention and action by DOR recently, according to RLT's most recent available Monthly Management Report (10/12/2018). Work on three of nine of the budget notes is on-going, including the Collections Feasibility Study, the Comprehensive External Audit, and this project, the Outcome-Based Management Assessment. The Collections Feasibility Study Budget Note required DOR to submit a feasibility study related to the establishment of a combined collections division. While the study is ongoing, DOR has taken steps to identify a leader for a combined collections division, and to broaden the use of private collection firms. The Comprehensive External Audit (conducted by Moss Adams), will generate findings that build on other reviews to support advancement of ongoing improvement efforts. The results of both Budget Notes will be potentially relevant to OBM implementation.

The following Budget Note reports have been recently completed:

- State Accounting and Budget Review
- Review of Personnel Practices and Legislatively Authorized Positions
- Re-Initiating the Process Center Modernization Project
- Improving Delivery of Taxpayer Assistance
- 2018 Tax Season Readiness Report
- Core System Replacement Project Reporting

While a Budget Note is considered completed when the associated report has been issued and accepted by the Legislature, this does not mean that all the resulting agreed upon action plans have necessarily been implemented. To the extent that the action plans seek to address agency outcomes and objectives, the measures of progress resulting from the action plans should be considered for inclusion in the OBM system.

Deliverable 2: Current State Assessment

Existing Key Performance Measures

DOR tracks and reports publicly each year on 11 key performance measures (KPMs). These KPMs are approved by the Legislature as part of the agency budget request. The agency can propose modification of the KPMs and associated targets. In the absence of a DOR proposal, targets are set by the Legislature, as occurred for 2018. DOR is currently working to propose improvements to several KPMs to increase alignment with strategic objectives, establish realistic targets based on industry standards, and ensure year over year consistency in the methodology and data sources used to calculate results.

The 2018 progress report showed mixed progress across the different metrics. DOR missed targets on several KPMs related to customer service, average days to process personal income tax refunds, and employee engagement. DOR successfully met targets for enforcement and e-filing.

Important to this assessment is an understanding of the relationship and alignment of the KPMs to the strategic outcomes and priorities of DOR. As this assessment shows in Section 3, many of the metrics tracked by DOR's internal reports (i.e. Hotsheets) and the KPMs do not currently align well to the strategic framework. This disconnect should be taken into consideration as future OBM metrics are identified.

Strategic Planning

DOR's most recently completed strategic plan dates from August of 2015. During this assessment, DOR continued drafting a "Strategic Framework and Priorities" document. This document, which is in draft status as of the time of this writing, outlined a proposed strategic framework for DOR consisting of specific Strategic Priorities and Core Business Outcomes. The document seeks to guide DOR's transformation toward improved performance, and as such it is referenced repeatedly in this assessment, particularly as it relates to DOR's current use of OBM. This assessment also uses this framework to assess alignment between what is measured on DOR Hotsheets and the agency's stated Strategic Priorities and Core Business Outcomes.

This space intentionally blank

Deliverable 2: Current State Assessment

7.2 List of Interview Questions used with RLT Members, Internal Audit, and Legislative Affairs

Table 20 Interview Questions

Interview Area	#	Interview Question
Perspective on Outcome-Based Management	1	What does Outcome-Based Management mean to you?
	2	What are the 3 most important outcomes to you in your role (what constitutes success)?
	3	What are the 3 largest barriers you see to the adoption of Outcome-Based Management?
Current Performance Management Activities	4	What three performance management activities that you do today are most supportive of the success of the agency?
	5	What three activities would you add to further support success?
Information	6	How well does current reporting enable quick decision making and immediate adjustments to your business?
	7	To what degree is the performance data you rely on consistent, accurate and accessible?
	8	What do you want to know that you do not know today to support the outcomes you listed above?
	9	Does your business unit have or use defined performance management roles, responsibilities, and accountability for adjustments to your business?
Process	10	Do you develop performance measures and targets? If so, do you prioritize those against other measures (which ones)?
	11	Do you develop, implement and monitor action plans? How mature are your accountability processes?
	12	Which current performance metrics do you see as aligned with agency Strategic Priorities? Which do you see as not well aligned?
	13	What changes within the organization will be needed to shift toward a culture of Outcome-Based Management?
Wrap-Up	14	What degree of ownership do you feel you have for performance management at DOR? (<i>Leader/Sponsor, Active Contributor, Participant</i>). Is it sufficient ownership?
	15	What else did you expect us to ask you about that we did not?
Supplemental Questions for Internal Audit	16	What do you believe is behind the high number of audits and budget notes the agency is subject to?
	17	What do expect the major themes will be related to the current customer service and culture audit?
	18	What role do you see Internal Audit playing in moving toward Outcome-Based Management?
	19	Where has the agency shown leadership since the 2017-02 performance management audit, and where has it lagged?

Deliverable 2: Current State Assessment

7.3 List of Work Group Participants

Table 21 Work Group Participants

PROPERTY TAX	
Participants	Division/Section
Executive Assistant, Property Tax Division	PROPERTY TAX
Section Manager, Property Tax Support, Assistance & Oversight	PROPERTY TAX
Section Manager, Valuation, Property Tax Division	PROPERTY TAX
Manager, Industrial, Property Tax Division	PROPERTY TAX
Manager, Central Assessment, Property Tax Division	PROPERTY TAX
Appraiser Analyst 4, Property Tax Division	PROPERTY TAX
Appraiser Analyst 3, Property Tax Division	PROPERTY TAX
Appraiser Analyst 4, Property Tax Division	PROPERTY TAX
Operations and Policy Analyst 3, Property Tax Division	PROPERTY TAX
Administrative Specialist 2, Property Tax Division	PROPERTY TAX
Manager, Property Tax Support, Assistance & Oversight	PROPERTY TAX
Appraiser Analyst 3, Property Tax Division	PROPERTY TAX
Appraiser Analyst 3, Property Tax Division	PROPERTY TAX

TAX POLICY / RESEARCH	
Participants	Division/Section
Policy Manager, Program Service	POLICY
Legislative Coordinator	POLICY
Legislative Liaison	POLICY
Operations and Policy Analyst 3, Program Service Section	POLICY
Economist 4, Research Unit	RESEARCH
Economist 4, Research Unit	RESEARCH
Economist 4, Research Unit	RESEARCH
Operations and Policy Analyst 3, Withholding and Payroll Section	WITHOLDING/POLICY
Operations and Policy Analyst 3, Special Programs Administration	WITHOLDING/POLICY
Communications Manager	COMMUNICATIONS
Operations and Policy Analyst 3, Property Tax Division	PROPERTY TAX

NON-FILER AND AUDIT	
Participants	Division/Section
Senior Tax Auditor, Corporation Section	CORPORATION
Manager, Policy, Appeals & Nexus, Corporation and Estate Section	CORPORATION
Operations and Policy Analyst 3, Corporation and Estate Section	CORPORATION
Senior Tax Auditor, Compliance Section	PERSONAL TAX AND COMPLIANCE

Deliverable 2: Current State Assessment

NON-FILER AND AUDIT	
Participants	Division/Section
Operations and Policy Analyst 3, Compliance Section	PERSONAL TAX AND COMPLIANCE
Section Manager, Program Service Division	PERSONAL TAX AND COMPLIANCE
Section Manager, Personal Income Tax and Compliance Section	PERSONAL TAX AND COMPLIANCE
Manager	SPECIAL PROGRAMS ADMINISTRATION
Section Manager, Withholding and Payroll Section	WITHHOLDING/MARIJUANA
Operations and Policy Analyst 3, Withholding and Payroll Section	WITHHOLDING/MARIJUANA
Section Manager, Property Tax Support, Assistance & Oversight	PROPERTY TAX
Manager, Industrial, Property Tax Division	PROPERTY TAX
Manager, Central Assessment, Property Tax Division	PROPERTY TAX

TAX PROCESSING	
Participants	Division/Section
Manager, Audit, Systems and Support	CORPORATION
Section Manager	PROCESSING CENTER
Manager, Payment Processing	PROCESSING CENTER
Operations and Policy Analyst 2	PROCESSING CENTER
Manager, Appeals, Discovery & Processing, Program Service Section	PERSONAL TAX AND COMPLIANCE
Operations and Policy Analyst 3, Systems Unit, Program Service Section	PERSONAL TAX AND COMPLIANCE
Section Manager, Systems, Program Service Section	PERSONAL TAX AND COMPLIANCE
Manager	SPECIAL PROGRAMS ADMINISTRATION
Section Manager	WITHHOLDING/MARIJUANA
Manager, Special Programs, Property Tax Division	PROPERTY TAX

TAX COLLECTIONS	
Participants	Division/Section
Manager, Other Agency Accounts 5, Business Special Programs Section	SPECIAL PROGRAMS ADMINISTRATION
Section Manager, Business Special Programs Section	SPECIAL PROGRAMS ADMINISTRATION
Manager, Other Agency Accounts 4, Business Special Programs Section	SPECIAL PROGRAMS ADMINISTRATION
Section Manager, Withholding and Payroll Section	WITHHOLDING/MARIJUANA
Operations and Policy Analyst 2, Withholding and Payroll Section	WITHHOLDING/MARIJUANA
Operations and Policy Analyst 2, Property Tax Division	PROPERTY TAX
Section Manager, Collections Section, Personal Income Tax and Compliance Division	PERSONAL TAX AND COMPLIANCE
Manager, Collections Operations Manager, Collections Section	PERSONAL TAX AND COMPLIANCE

Deliverable 2: Current State Assessment

TAX COLLECTIONS	
Participants	Division/Section
Manager, Bankruptcy/CAP, Collections Section	PERSONAL TAX AND COMPLIANCE
Revenue Agent 3, Collections Section	PERSONAL TAX AND COMPLIANCE
Operations and Policy Analyst 3	PROPERTY TAX

INFORMATION TECHNOLOGY	
Participants	Division/Section
Information Systems Specialist 8	INFORMATION TECHNOLOGY SERVICES
Information Systems Specialist 8	INFORMATION TECHNOLOGY SERVICES
Section Manager, Program Management Team	INFORMATION TECHNOLOGY SERVICES
Manager, Support Services Manager	INFORMATION TECHNOLOGY SERVICES
Manager, GenTax Support Services	INFORMATION TECHNOLOGY SERVICES
Manager, Engineering Services	INFORMATION TECHNOLOGY SERVICES

FINANCIAL SERVICES	
Participants	Division/Section
Manager, Accounting Team	FINANCIAL SERVICES
Accountant 4	FINANCIAL SERVICES
Manager, Purchasing Team	FINANCIAL SERVICES
Procurement and Contract Specialist 3	FINANCIAL SERVICES
Manager, Budget & Finance	FINANCIAL SERVICES
Accountant 4	FINANCIAL SERVICES

HUMAN RESOURCES	
Participants	Division/Section
Manager, Disclosure Office/Program Management/Special Services, Human Resources Section	HUMAN RESOURCES
Compliance Specialist 3, Disclosure Office	HUMAN RESOURCES
Human Resources Analyst 3	HUMAN RESOURCES
Human Resources Analyst 2	HUMAN RESOURCES

Deliverable 2: Current State Assessment

7.4 Objective Selection and Alignment by Work Group Participants

The following three tables show each of the Work Group categories in turn, detailing the alignment of the Objectives chosen by each functional group to the current Core Business Outcomes. These detailed tables point to significant variety in the distribution of alignment of the Objectives selected by different Work Groups. This may provide DOR with an understanding of the priorities of each of the represented functional areas as the leadership team refines and finalizes its work in developing the strategic framework.

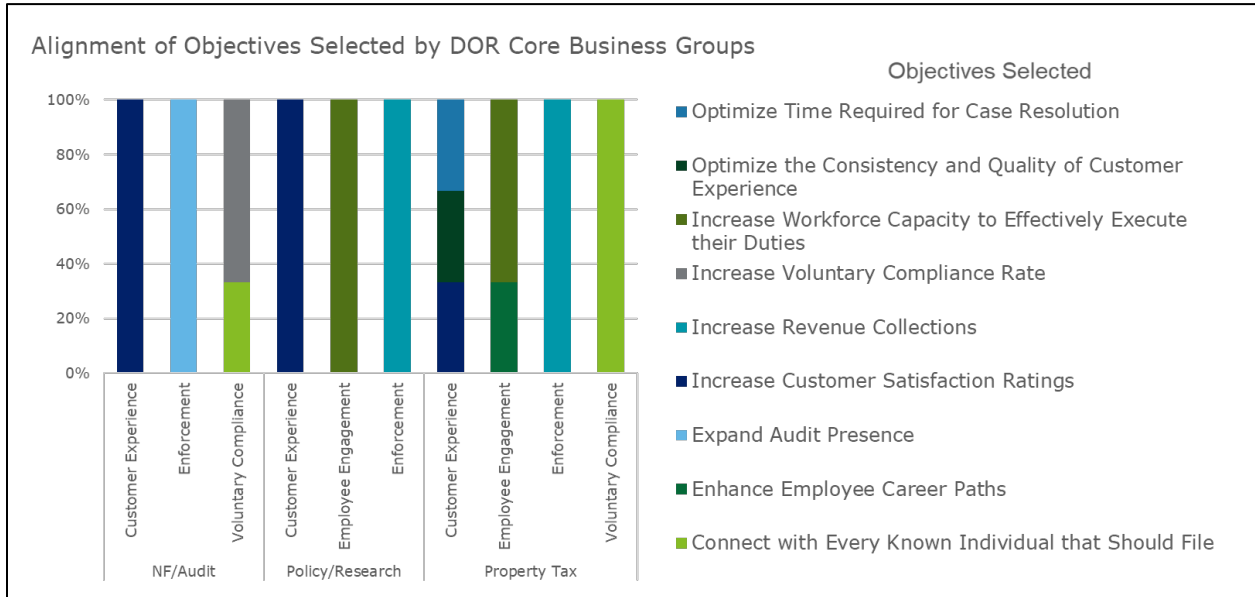


Figure 27 Alignment of Objectives Selected by DOR Core Business Working Groups

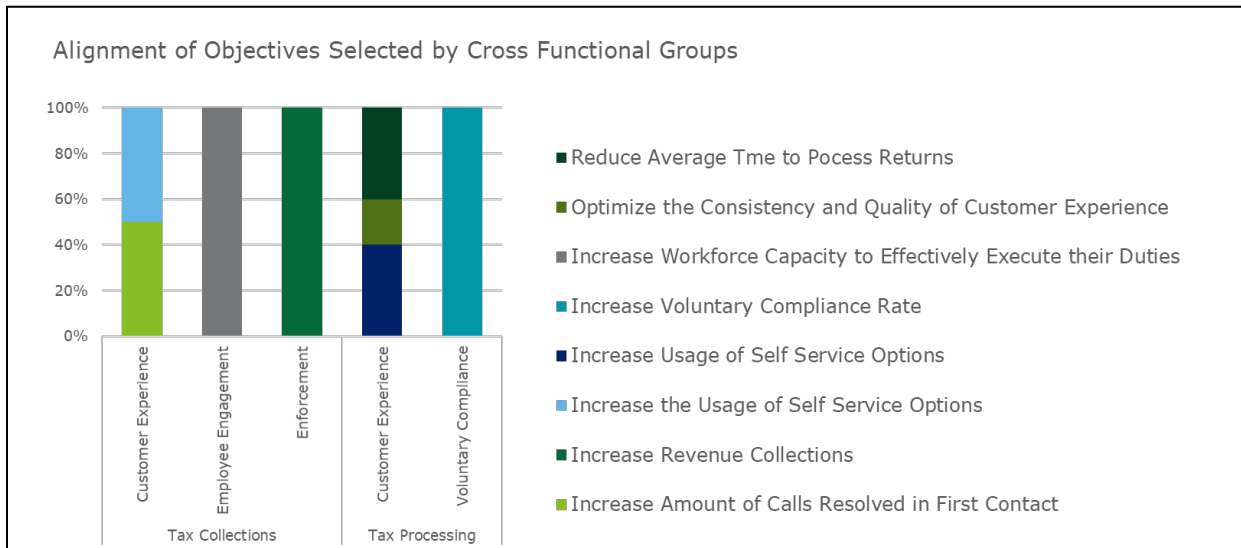


Figure 28 Alignment of Objectives Selected by Cross Functional Working Groups

Deliverable 2: Current State Assessment

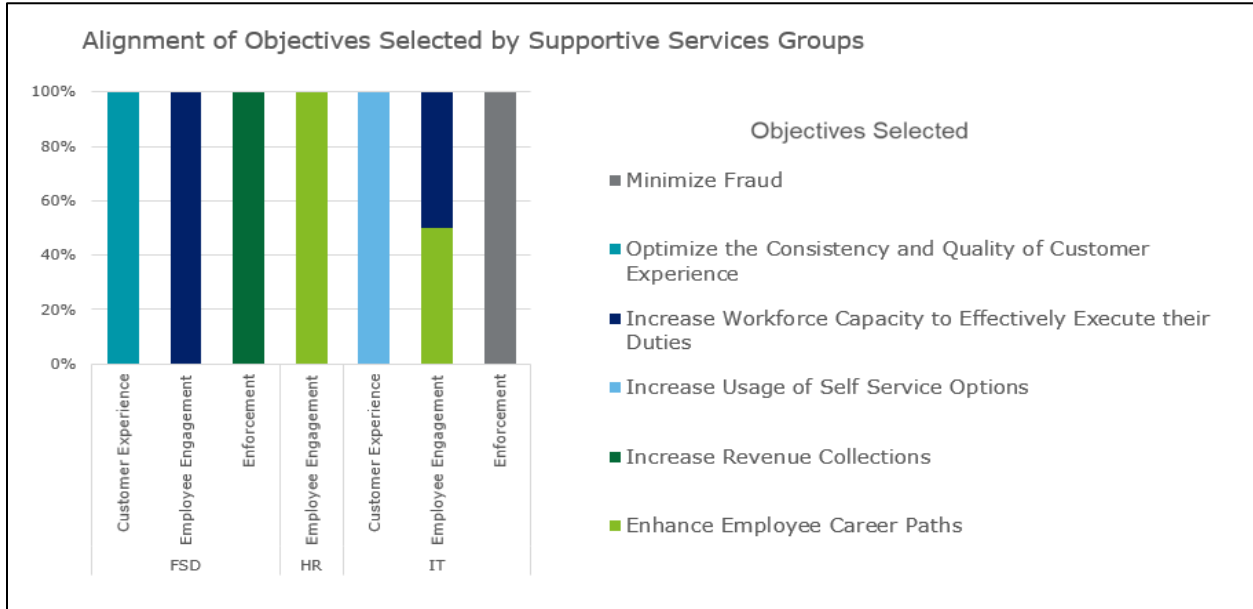


Figure 29 Alignment of Objectives Selected by Support Service Groups

This space intentionally blank.

Deliverable 2: Current State Assessment

7.5 Detailed Peer State Comparison Tables

Table 22 Peer State Comparison, Overview Information, Part 1

	Oregon	Washington	Idaho	Nevada
GenTax	Yes	Yes	Yes	No
Population (2016)	4,142,776	7,288,000	1,683,140	2,940,058
Total State Tax Collections (FY 2016-17)	\$11,914,567,000	\$23,997,592,000	\$4,511,208,000	\$8,624,618,000
Tax Types	<ul style="list-style-type: none"> •Individual income •Corporation excise •Withholding and payroll •Cigarette and other tobacco •Marijuana •Estate •Emergency communications tax (E911) •State lodging •Hazardous substance fee •Amusement device •Petroleum load fee •Forest products harvest •Small-tract forestland severance •Transit 	<ul style="list-style-type: none"> •Retail sales/use - 46.3% •Selective Sales - 13.7% •Business and Occupation - 17.4% •Property and Utility -14.3% •All other State - 8.4% 	<ul style="list-style-type: none"> •Property - 31.3% •Personal income - 29.0% •Sales - 28.6% •Motor fuels - 5.8% •Corporate income - 3.8% 	<ul style="list-style-type: none"> •Sales and Use - 68.8% •Modified Business - 9.1% •Insurance premium - 5.5% •Cigarette and tobacco - 3.2% •Remaining taxes - 7.5%
Return Volume - Individual	2,040,738	Not in Annual Report	Not in Annual Report	Not in Annual Report
Return Volume - Corporate	93,562	Not in Annual Report	Not in Annual Report	Not in Annual Report
FTEs	~1,000	Not in Annual Report	Not in Annual Report	380

Deliverable 2: Current State Assessment

Table 23 Peer State Comparison, Overview Information, Part 2

	Oregon	Colorado	South Carolina	Louisiana
GenTax	Yes	Yes	Yes	Yes
Population (2016)	4,142,776	5,540,545	4,961,119	4,681,666
Total State Tax Collections (FY 2016-17)	\$11,914,567,000	\$13,197,606,000	\$9,828,825,000	\$11,104,720,000
Tax Types	<ul style="list-style-type: none"> •Individual income •Corporation excise •Withholding and payroll •Cigarette and other tobacco •Marijuana •Estate •Emergency communications tax (E911) •State lodging •Hazardous substance fee •Amusement device •Petroleum load fee •Forest products harvest •Small-tract forestland severance •Transit 	<ul style="list-style-type: none"> •Personal Income •Sales and Use •Alcohol and Fermented Malt Beverages •Gaming •Pari-mutuel Racing •Marijuana •Cigarette and Tobacco Products •Severance •Mileage •Driver Licenses and Motor Vehicle 	<ul style="list-style-type: none"> •Personal income •Corporate income •Sales and use •Local option sales and use •Accommodations •Admissions •Property •Alcoholic beverage and license •Tobacco 	<ul style="list-style-type: none"> •Personal Income (includes Fiduciary) - 33.6% •Sales - 44.4% •Severance - 4.3% •Corporation Franchise - 1.0% •Corporation Income - 3.1% •Petroleum Products - 7.3% •Liquor/Alcohol - 0.8% •Tobacco - 3.5% •Other - 1.7%
Return Volume - Individual	2,040,738	2,574,037	2,237,717	Not in Annual Report
Return Volume - Corporate	93,562	20,469	Not in Annual Report	Not in Annual Report
FTEs	~1,000	Not in Annual Report	Not in Annual Report	Not in Annual Report

Deliverable 2: Current State Assessment

Table 24 Peer State Comparison, Overview Information, Part 3

	Oregon	Pennsylvania	Wisconsin	New York
GenTax	Yes	Yes	Yes	No
Population (2016)	4,142,776	12,790,000	5,773,000	19,697,467
Total State Tax Collections (FY 2016-17)	\$11,914,567,000	\$37,394,589,000	\$15,517,585,000	\$71,627,564,652
Tax Types	<ul style="list-style-type: none"> •Individual income •Corporation excise •Withholding and payroll •Cigarette and other tobacco •Marijuana •Estate •Emergency communications tax (E911) •State lodging •Hazardous substance fee •Amusement device •Petroleum load fee •Forest products harvest •Small-tract forestland severance •Transit 	<ul style="list-style-type: none"> •Personal Income •Inheritance and Estate •Realty transfer •Sales, use and hotel •Corporate net income •Excise •Financial institutions 	<ul style="list-style-type: none"> •Personal income •Sales and Use •Corporate •Excise 	<ul style="list-style-type: none"> •Personal Income - 66.7% •Business - 8.5% •Sales, Excise, and Use - 21.4% •Property Transfer - 3.1% •Other - 0.2%
Return Volume - Individual	2,040,738	Not in Annual Report	Not in Annual Report	Not in Annual Report
Return Volume - Corporate	93,562	Not in Annual Report	Not in Annual Report	Not in Annual Report
FTEs	~1,000	Not in Annual Report	Not in Annual Report	Not in Annual Report

Deliverable 2: Current State Assessment

Table 25 Peer State Comparison Against Illustrative Performance Indicators and Knowledgebase

		Tax Administration Function	
		Registration and Filing Compliance	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Number of new registrants •Number of non-filers by tax type 	
	Timeliness / Quality	<ul style="list-style-type: none"> •Average time to complete new registration •Average time to resolve non-filer case •Late penalties assessed •Accuracy of taxpayer register 	
Knowledgebase examples		<ul style="list-style-type: none"> • “Multiple Touches” •Account Maintenance Exceptions •Call Length •Call Types 	<ul style="list-style-type: none"> •Correspondence Effectiveness (by type) •Exception Type •Registration Exceptions •Registration Timeline (by Tax Type) •Risk Score Accuracy
Oregon		Not in DOR's Annual Performance Progress Report	
Washington		Annual Report: <ul style="list-style-type: none"> •Number of New Taxpayer Accounts by County and Industry •Number of New Taxpayer Accounts by Industry 	
Idaho*		Annual Report: <ul style="list-style-type: none"> •Percent of gross revenues collected not submitted voluntarily and on time 	No response to data request
Nevada		Not in Annual Report	
Colorado*		Not in Annual Report No response to data request	
South Carolina		Not in Annual Report	
Louisiana		Not in Annual Report	
Pennsylvania*		Data request response: <ul style="list-style-type: none"> •Average Turnaround to Review Suspension work items (registration) 	
Wisconsin*		No response to data request	
New York*		Data request response: <ul style="list-style-type: none"> •Sales Tax Processing - Number of new registrations, fiscal year-to-date 	

Deliverable 2: Current State Assessment

		Tax Administration Function	
		Customer Service	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Total Number of taxpayers assisted by channel •Written correspondence (paper and electronic) •Internet site hits •Number of advisory visits •Number of educational seminars 	
	Timeliness / Quality	<ul style="list-style-type: none"> •Average taxpayer wait time for service •Average time to respond to written taxpayer requests •Accuracy of responses provided •Utility of visits and seminars (determined by surveys) 	
Knowledgebase examples		<ul style="list-style-type: none"> •Call closures by type •Calls by type •First call resolutions •Misclassified or misdirected 	<ul style="list-style-type: none"> •Multiple touch points •Repeat callers by type •Total repeat callers •Payment with login
Oregon		Annual Report: <ul style="list-style-type: none"> •Average Days to Process Personal Income Tax Refund •Percent of “good” or “excellent” customers ratings •Effective Taxpayer Assistance 	
Washington		Not in Annual Report	
Idaho*		Annual Report <ul style="list-style-type: none"> •Update 75% of current outreach materials (Y/N) •Increase number of attendees at outreach events by 25% (Y/N) Data request response: <ul style="list-style-type: none"> •TPS call/tax rep volume and question types •Public/tax pro outreach opportunities •Website hits •Time on webpage •Total calls/contacts Via dialer and Direct In/Outbound 	
Nevada		Not in Annual Report	
Colorado*		Annual report: <ul style="list-style-type: none"> • [Call center] Wait Time • [Call center] Average Transaction Time • [Call center] Average Total Time 	Data request response: <ul style="list-style-type: none"> •Classes offered •Total class participants •Participant reviews of classes
South Carolina		Not in Annual Report	
Louisiana		Not in Annual Report	
Pennsylvania*		Data request response: <ul style="list-style-type: none"> •Effectiveness of Online Customer Self-Service Knowledge Base •Average Wait Time TSIC (Budget Book) •Average Response Time - Email - # of days 	
Wisconsin*		No response to data request	
New York*		Data request response: <ul style="list-style-type: none"> •Processing & Taxpayer Services - Answer 85% of all Taxpayer Contact Center telephone inquiries within an average of 5 minutes. **(Strategic metric for FY 2018-19. Through Sept. 2018, 51.8% were answered within 5 minutes) 	

Deliverable 2: Current State Assessment

	Tax Administration Function
	Customer Service
	<ul style="list-style-type: none"> •Processing & Taxpayer Services - Resolve 85% of written PIT inquiries (including Liability Resolutions) within 90 days. ** (Strategic metric for FY 2018-19) •Processing & Taxpayer Services - Resolve 85% of written Business inquiries (including Liability Resolutions) within 90 days. **(Strategic metric for FY 2018-19) •Office of Tax Policy Analysis - Issue all tax forms and instructions on time with 100% accuracy. **(Strategic metric for FY 2018-19) •Office of Counsel - Issue 80% of Advisory Opinions within the statutorily required time limits. (Strategic metric for FY 2018-19) •Processing & Taxpayer Services - Increase penetration of IT-201 and IT-203 (PIT primary returns) electronically filed to 90% of all PIT primary returns. (Strategic metric for FY 2018-19) •Processing & Taxpayer Services - Increase penetration of Sales Tax returns electronically filed to 91% of all Sales Tax returns. (Strategic metric for FY 2018-19) •Processing & Taxpayer Services - Increase penetration of NYS-45 and NYS-45 upload filed to 94% of those filed (these are electronic filings of Withholding Taxes). (Strategic metric for FY 2018-19) •Processing & Taxpayer Services - Increase penetration of Corporation Tax returns electronically filed to 90% of Corporation Tax returns filed. (Strategic metric for FY 2018-19)

This space intentionally blank

Deliverable 2: Current State Assessment

		Tax Administration Function	
		Return Processing and Payment	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Number of returns processed, by tax type •Number of refunds issued, by tax type •Percentage of returns filed electronically 	<ul style="list-style-type: none"> •Percentage of returns filed by paper •Number of payments processed (manually and electronic) •Total value of payments processed
	Timeliness / Quality	<ul style="list-style-type: none"> •Average processing time •Average number of days to issue a refund 	<ul style="list-style-type: none"> •Return processing accuracy/error rate •Payment processing accuracy / error rate
Knowledgebase examples		<ul style="list-style-type: none"> •Average Time to Issue Bill (by Tax Type) •Average Time to Issue Refund (by Tax Type) •Flagged Return Correction Time •Flagged Return Financial Impact •Flagged Return Review Time 	<ul style="list-style-type: none"> •Flagged Returns (by Reason Code) •Age of suspended payments •Number of suspended payments •Time to resolve suspense items •Value of suspended payments
Oregon		Annual Report: <ul style="list-style-type: none"> •Percent of Personal Income Tax Filed Electronically •Percent of Personal Income Tax filed electronically •Percent of Personal Income Tax Returns filed by paper 	Additional Annual Report: <ul style="list-style-type: none"> •Number of Personal Income Tax Returns by County and by month •Income Tax Returns by Filing Status and Form Type •Total Taxable Income
Washington		Not in Annual Report	
Idaho*		Not in Annual Report	Data request response: <ul style="list-style-type: none"> •Return counts •Edit (error) rates •Task by time
Nevada		Not in Annual Report	
Colorado*		Annual Report <ul style="list-style-type: none"> •Paper vs. Electronic Sales Tax Returns •Refunds Issued 	Data request response: <ul style="list-style-type: none"> •Total returns processed •Refunds issued
South Carolina		Annual Report: <ul style="list-style-type: none"> •Individual Income Tax Returns by Filing Status 	
Louisiana		Annual Report: <ul style="list-style-type: none"> •Summary of Tax Collections & Refunds 	
Pennsylvania*		Data request response: <ul style="list-style-type: none"> •% of Payments Applied to Account Upon Receipt/Processing •Average Turnaround Time for Payment Clarification •% of PTRR Claims Received by 6/1, Paid by 7/1 	Additional Data request response: <ul style="list-style-type: none"> •% of Refunds Paid by Required Timeframe •% of Returns Processed as Filed •Average Turnaround to Review Suspended Returns
Wisconsin*			Data request response: <ul style="list-style-type: none"> •Fraud Analyst Reviews: Actions per hour
New York*			Data request response: <ul style="list-style-type: none"> •Personal Income Tax Processing - Number of all returns processed (electronically & paper) •Personal Income Tax Processing - Return and coupon payments collected •Corporation Tax Processing - Returns Processed by form type and in total •Corporation Tax Processing - Payments received - reported monthly •Sales Tax Processing - Returns processed (electronically and paper)

Deliverable 2: Current State Assessment

		•Sales Tax Processing - Payments received
--	--	---

		Tax Administration Function	
		Accounts Receivable	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Total value of arrears collected •Total number of collection cases closed •Total number of taxpayers contacted 	<ul style="list-style-type: none"> •Total resources (person years) assigned •Average annual collection per person year
	Timeliness / Quality	<ul style="list-style-type: none"> •Average age of collection cases •Percentage of cases resolved within X months •Collection case quality (based on specific scoring tools) 	
Knowledgebase examples		<ul style="list-style-type: none"> •Average payment plan duration •Collectability by tax type •Entities with outstanding liabilities •Number of payment plans 	<ul style="list-style-type: none"> •Outcomes by outcome type •Payment plan source •ROI by enforcement activity •TPCA performance
Oregon		Annual Report: <ul style="list-style-type: none"> •Direct Enforcement Dollars Cost of Funds •Collection Dollars Cost of Funds 	
Washington		Not in Annual Report	
Idaho*		Not in Annual Report	Data request response: For week ending and Fiscal year-to-date: <ul style="list-style-type: none"> •Weekly average collection balance •Average collection cases created daily •Average count of collections •Average cases closed daily •Average open collection cases •Collection cases created •Collection cases closed •Recovery amount
Nevada		Not in Annual Report	
Colorado*		Annual report: <ul style="list-style-type: none"> •Number of Cases per Year per Type 	Data request response: <ul style="list-style-type: none"> •Monies collected in each billing stage (voluntary, 1st bill, 2nd notice, enforced collection) •Dollars collected •Payment arrangements created •Liens filed
South Carolina		Not in Annual Report	
Louisiana		Not in Annual Report	
Pennsylvania*		No response to data request	
Wisconsin*		Data request response: <ul style="list-style-type: none"> •Quantity measure: Interactions with a customer/account per hour •Quality measure: Phone quality 	Additional Data request response: <ul style="list-style-type: none"> •Quality measure: Account review •Quality measure: Written correspondence
New York*		Data request response: <ul style="list-style-type: none"> •Percentage of plans collected (Audit & Civil Enforcement Division) 	

Deliverable 2: Current State Assessment

	<ul style="list-style-type: none"> •Audit - Meet or exceed cash collections projection for state share billings from all sources (Strategic metric for FY 2018-19) •Civil Enforcement Division will collect 100% of fiscal year goal. (Strategic metric for FY 2018-19)
--	---

		Tax Administration Function	
		Audit	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Number of audits completed by tax type (and by taxpayer segment where applicable) •Additional tax assessed by audit, by tax type •Total resources (person years) assigned •Additional tax assessed per person year 	<ul style="list-style-type: none"> •Total resources (person years) assigned •Additional tax assessed per person year •Number of investigations completed •Number of investigations completed
	Timeliness / Quality	<ul style="list-style-type: none"> •Average time to complete audit by type of audit •Audit quality (based on specific scoring tools) •Average time to complete an investigation 	
Knowledgebase examples		<ul style="list-style-type: none"> •Audit Timeliness •Caseworker Efficiency •Days to Assign a Case •Non-Filer Response Rate 	<ul style="list-style-type: none"> •Open Cases •Outcome Follow-through •Recidivism
Oregon		Annual Report: <ul style="list-style-type: none"> •Cost of Assessments 	
Washington		Not in Annual Report	
Idaho*		Annual Report: <ul style="list-style-type: none"> •Audit [of taxes collected] •Dollars saved from going to fraudsters •Confirmed fraudulent returns caught by Tax Commission •Idaho identity theft cases reported to Tax Commission 	Data request response: <ul style="list-style-type: none"> •Cases completed by Results Code
Nevada		Annual Report: <ul style="list-style-type: none"> •Number of Audits •Net Collections from Audit Billings •Audit Coverage •Audit Revenue Fees Collected •Audit Expenditures 	
Colorado*		Not in Annual Report	Data request response: <ul style="list-style-type: none"> •Audits completed •Total dollars adjusted through audit
South Carolina		Not in Annual Report	
Louisiana		Not in Annual Report	
Pennsylvania*		Data request response: <ul style="list-style-type: none"> •Budgeted Audits 	
Wisconsin*		Data request response: <ul style="list-style-type: none"> •Legislative revenue goals •Audit cycle time - aggregate results reported externally •Audit cycle time - internal measures as leading indicators •Post-audit surveys 	

Deliverable 2: Current State Assessment

	Tax Administration Function
	Audit
New York*	<p>Data request response:</p> <ul style="list-style-type: none"> •Audit - 80% of employee assigned Income cases completed/closed within 6 months. (Operational metric for FY 2018-19) •Audit - 70% or more of total Income audit cases resulting in an audit adjustment (Operational metric for FY 2018-19) •Audit - Total number of Audit Income cases resulting in a protest is 10% or less of total Audit cases. (Operational metric for FY 2018-19) •Audit - 80% of informal Income protests resolved within 90 days of creation (Operational metric for FY 2018-19) •Criminal Investigations Division - 90% of allegations should convert into investigations (or closed) within 90 days. (Strategic metric for FY 2018-19) •Criminal Investigations Division - 90% of investigations should be referred for prosecution or closed within 24 months. (Strategic metric for FY 2018-19)

This space intentionally blank.

Deliverable 2: Current State Assessment

		Tax Administration Function	
		Appeals	
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	<ul style="list-style-type: none"> •Total number of appeals cases closed •Total resources (person years) assigned •Value of adjustments on appeal •Number of cases heard by courts 	
	Timeliness / Quality	<ul style="list-style-type: none"> •Average length of appeals case •Appeals case quality (based on specific scoring tools) •Degree to which legal deadlines are met 	
Knowledgebase examples		<ul style="list-style-type: none"> •Activity Duration •Execution Duration •Expected Duration vs Actual Duration •False Positive Rate 	<ul style="list-style-type: none"> •Number of Protests / Agency •Protest Results •Protest Settlement
Oregon		Not in DOR's Annual Performance Progress Report	
Washington		Not in Annual Report	
Idaho*		Data request response: <ul style="list-style-type: none"> •Averages age of cases in inventory •Percentage of closed cases held in inventory over 2 years 	
Nevada		Not in Annual Report	
Colorado*		Not in Annual Report	Data request response: <ul style="list-style-type: none"> •All "Requests for Formal Hearing" (timely protested Notices of Deficiency or Refund Denial) referred to the Tax Conferee Section •Date case received and case assigned •Date case assigned and Case Stage •Dollar amount of Protest and final resolution amount
South Carolina		Annual Report: <ul style="list-style-type: none"> •Returns Amended by Filing Status 	
Louisiana		Annual Report: <ul style="list-style-type: none"> •Cash Collections After Accrual Adjustments 	
Pennsylvania*		Data request response: <ul style="list-style-type: none"> •Average Turnaround Time to Post BOA/BFR Decisions (Taxation) 	
Wisconsin*		Data request response: <ul style="list-style-type: none"> •Number of completed appeals •% of appeals gone to next level Appeal cycle time 	Additional Data request response: <ul style="list-style-type: none"> •% office audit appeals resolved in 6 months •% of district field audit appeals resolved in 14 months •% of large case field audit appeals resolved in 25 months
New York*		Data request response: <ul style="list-style-type: none"> •Bureau of Conciliation & Mediation Services (BCMS) - Schedule 90% of BCMS cases for conference within 99 days of availability. (Strategic metric for FY 2018-19) •Bureau of Conciliation & Mediation Services - Issue 85% of decisions within three months of conference date. (Strategic metric for FY 2018-19) 	

Deliverable 2: Current State Assessment

		Tax Administration Function
		Revenue Accounting and Disbursements
International Monetary Fund (IMF) Illustrative Performance Indicators for Tax Administration	Quantity	Not available
	Timeliness and Quality	Not available
Knowledgebase examples		<ul style="list-style-type: none"> •Discrepancies •Forecast v. Actual •Imbalance by Type •Successful Bank Reconciliation Percentage
Oregon		Not in DOR's Annual Performance Progress Report
Washington		Not in Annual Report
Idaho*		Annual Report: <ul style="list-style-type: none"> •Distribution of revenues [by fund and fiscal year]
Nevada		Annual Report: <ul style="list-style-type: none"> •Total Department Revenues and Distributions [by tax type]
Colorado*		Annual Report: <ul style="list-style-type: none"> •Net Collections [by tax type]
South Carolina		Annual Report: <ul style="list-style-type: none"> •Distribution [by tax type and destination fund]
Louisiana		Annual Report: <ul style="list-style-type: none"> •Fund Distributions [by tax and fund]
Pennsylvania*		No response to data request
Wisconsin*		No response to data request
New York*		No response to data request

*Indicates state submitted response to data request

Deliverable 2: Current State Assessment

7.6 Rationale for KPM mapping to Strategic Priorities

KPM	Alignment to Strategic Priority Rationale
1 Average Days to Process Personal Income Tax Refund. -	This is about internal operational excellence - process efficiency.
2 Percent of Personal Income Tax Returns Filed Electronically -	It helps DOR operate more efficiently when returns are filed electronically, but an increase in electronic returns does not mean DOR is improving the speed/accuracy with which an electronic return is processed.
3 Employee Training Per Year (percent receiving 20 hours per year). -	Training could help employees further any of these goals depending on the topic of the training.
4 Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good"; or "excellent" based on overall experience, timeliness, accuracy, helpfulness, expertise, and availability of information.	Contacting/interacting with DOR in ordered have a rating to provide means the customer was looking for taxpayer assistance.
5 Effective Taxpayer Assistance - Provide effective taxpayer assistance through a combination of direct assistance and electronic self-help services.	Results of having more effective assistance could hit the other priorities, but this measure is aligned to taxpayer assistance.
6 Appraisal Program Equity and Uniformity - We will measure the degree to which county appraisal program equity and uniformity is achieved by determining the percentage of study areas statewide with real market values that are within accepted appraisal standards.	Focuses on process standardization = operational excellence.
7 Appraisal Value Uniformity - We will demonstrate our ability to deliver high quality business results by measuring appraisal equity and uniformity for DOR industrial accounts.	Focuses on process standardization = operational excellence.
8 Direct Enforcement Dollars Cost of Funds - We will demonstrate our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost of funds (COF) for every direct enforcement dollar received by our agency.	All about efficiency and effectiveness of efforts Enforcement actions may lead to dollars in collections, but the collections priority is defined around delinquent known debts.
9 Collection Dollars Cost of Funds - We will demonstrate our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost of funds (COF) for every dollar collected by our agency.	All about efficiency and effectiveness (operational excellence) of debt collection efforts (collections).

Deliverable 2: Current State Assessment

10 Cost of Assessments - We will demonstrate our efficiency and effectiveness of our suspense, audit and filing enforcement functions by measuring the cost of every audit and filing enforcement dollar assessed.	All about efficiency and effectiveness (operational excellence) of assessments, which are not necessarily delinquent debt.
11 Employee Engagement - Index of employees considered actively engaged by a standardized survey.	Operational excellence lists employees being empowered to enhance performance results, current assessment of employee engagement does not focus on this aspect of enhancing performance specifically.

This space intentionally blank