



Oregon

Kate Brown, Governor

Department of Revenue

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March 11, 2021

Senator Jeff Golden, Co-Chair
Representative Greg Smith, Co-Chair
Joint Committee on Ways and Means Subcommittee on General Government
900 Court Street NE
State Capitol
Salem, Oregon 97301

Subject: Written Responses to Day One (3/10/21) Committee Questions

Dear Co-Chairs:

During our committee presentation on March 10, members asked questions for which we are providing additional information.

How does the agency measure success related to collecting revenue?

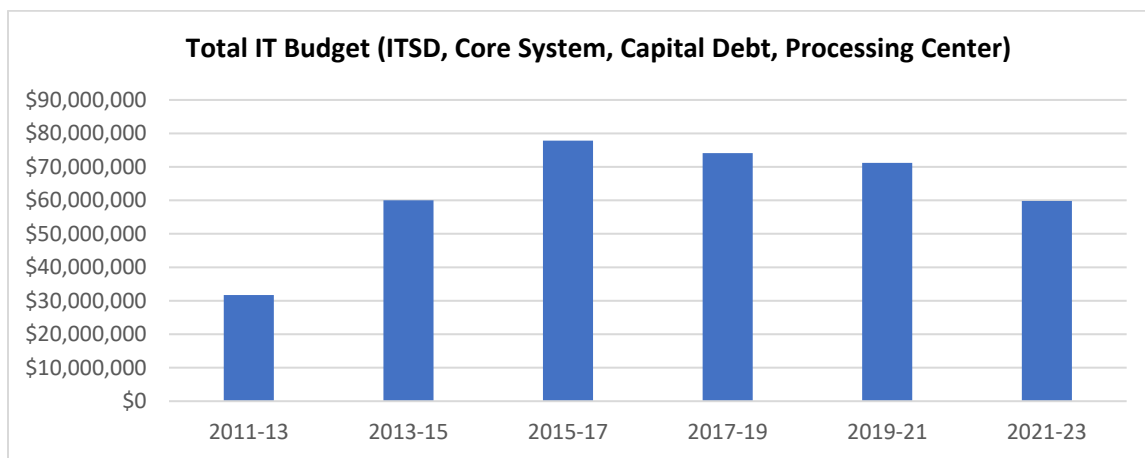
The Oregon Department of Revenue currently measures operational and financial performance through several internal and external performance measures. The Legislature has adopted the following 11 key performance measures for the agency. The 2020 Key Performance Measure (KPM) Report is included as [Appendix A in the Written Reference Materials](#). Of the 11 KPMs 1, 2, 4, and 5-10 all focus on our ability to efficiently and accurately collect revenue.

- KPM1 **Average Days to Process Personal Income Tax Refund:** Measures whether we meet taxpayer expectations of a timely refund. This is important because the more timely refunds are issued, the more motivated taxpayers are to file which supports the most cost-effective method of compliance: voluntary compliance.
- KPM2 **Percent of Personal Income Tax Returns Filed Electronically:** Measures taxpayers' acceptance and use of electronic filing. This is important because the more taxpayers that file electronically the more efficient and accurate we are in processing returns and the more satisfied taxpayers are. This increases the motivation to file and therefore increased voluntary compliance.
- KPM4 **Customer Service:** Percent of customers rating their overall satisfaction with the agency as above average or excellent. This is important because in order for taxpayers to voluntarily comply they need to receive good customer service: get their questions answered quickly, access to clear instructions and status.
- KPM5 **Effective Taxpayer Assistance:** Measures the effectiveness of taxpayer services provided by a data-driven combination of direct assistance and electronic self-help services. This is important to understand if taxpayers are getting access to the information they need in order to file.

- KPM6 Appraisal Program Equity and Uniformity:** Measures 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. This measure tracks that appraisals are accurate and fair.
- KPM7 Appraisal Value Uniformity:** Measures our ability to deliver high-quality business results by measuring appraisal equity and uniformity for DOR industrial accounts. This measure tracks that appraisals are accurate and fair.
- KPM8 Direct Enforcement Dollars Cost of Funds:** Measures 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.
- KPM9 Collection Dollars Cost of Funds:** Measures our efficiency and effectiveness at funding services that preserve and enhance the quality of life for all citizens by measuring the cost of funds for every dollar collected by our agency.
- KPM10 Cost of Assessments:** Measures the efficiency and effectiveness of our suspense, audit, and filing enforcement functions by measuring the cost of every audit and filing enforcement dollar assessed.

The Federation of Tax Administrators (FTA) has developed a set of performance measures that are common to most state tax agencies. We have recently undertaken a project to compile these metrics for DOR. This will allow us to compare ourselves to other agencies.

Provide a 10-year lookback on IT investments and long-term view of IT plans.



The agency IT Five Year Strategic Vision, published in December 2019 (Attachment A) and updated in January 2021 (Attachment B) established the following priorities for the agency:

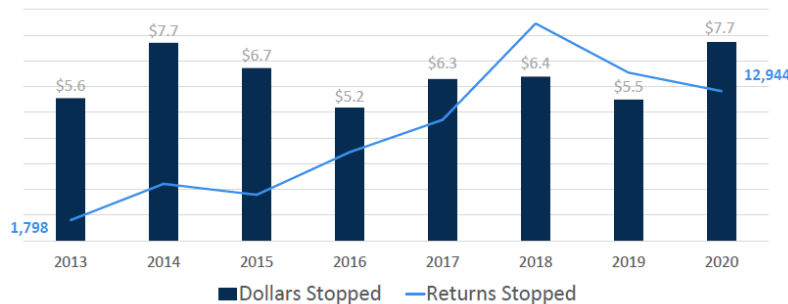
- Establish foundational elements
- Ground IT operations on ITIL foundations with key performance indicators and continuous improvement plans
- Operationalize GenTax and Processing Center Modernization project

- Modernize the Agency’s hardware and software portfolios
- Mature IT governance at Revenue
- Create a Testing Center of Excellence
- Support Oregon’s Continuity of Operations Plan (COOP)
- Strengthen vendor and contract management
- Develop employees by creating training plans, strengthening performance evaluations, and looking at succession plans
- Partner with EIS to fulfill the Governor’s vision

Do we anticipate a normal percent of fraud in our tax programs?

Every year the Department of Revenue analyzes and anticipates fraudulent schemes that we might see based on the current environment and adjusts our return processing rules accordingly. In 2020, we stopped over \$7.7 million in fraudulent payments from almost 13,000 returns. The average refund stopped was \$600.

Returns Stopped Over Time



This year we anticipate seeing returns filed to claim fraudulent PPP loans, federal stimulus, and withholding on fraudulent unemployment claims. We also anticipate that we might see an increase this year in fraudulent refund claims based on the volume of fraudulent unemployment claims we are hearing about from the Oregon Employment Department.

We use internal and external data along with trends that are reported by other states, IRS, financial institutions, and the tax software industry to identify tax refund fraud. The nature of fraud is that the schemes change every year so it is difficult to predict what will happen from one year to the next. We partner with IRS and other states to stay on top of the latest fraud schemes because [HB 2102 \(2019\)](#) allows us to share information with the Information Sharing and Analysis Center – Identity Theft Tax Refund Fraud (ISAC-IDTTRF). It is difficult to compare to other states because fraudsters share information about the vulnerabilities of different states and target them accordingly.

One emerging trend that we are seeing is the breach of tax practitioners to gain access to tax return information and file returns. In response to this, we submitted [HB 2128](#) to require tax practitioners to report breaches of taxpayer information to the Department. All the fraudulent refunds that we know of that we released last year were due to a tax practitioner breach. Time is of the essence with a

practitioner breach because the tax returns look so much like the actual taxpayer's return with the only difference often being the direct deposit account.

How can the agency move funds in programs mid-biennium when we need to shift priorities?

In 2013, the legislature split the single budget authority of the agency into five separate appropriations, but today the agency budget has 11 budget authorities. That action effectively requires the agency to seek legislative approval to move funds between programs mid-biennium. Before 2013, with a single budget authority, the agency had the flexibility to move funds between programs to shift priorities.

The inflexibility created by having 11 appropriations for similar work creates operational complications for department operations at times. This is especially true when the department is asked to implement new tax programs or respond to seasonal hiring needs.

Impact of Recent Changes to Agency Budget or Management Flexibility included in our [Written Reference Materials in Appendix H](#) highlights some issues the agency has encountered due to the splitting of the budget.

What was the original revenue projection for CAT? What is the projection now? How are we doing on collections? What outreach has occurred to compel compliance?

The original Corporate Activity Tax (CAT) revenue projection for 2019-21, prepared by Legislative Revenue Office, was \$1.6 billion. The March 2021 revenue forecast prepared by the Office of Economic Analysis revised CAT revenue to \$1.3 billion. Current CAT receipts total \$934 million through February 28, 2021. Remaining payment deadlines in the current biennium happen on April 15, 2021 and April 30, 2021. CAT taxpayers may file an extension to file by October 15, 2021. We will have a clearer picture of CAT revenues in late 2021, after refunds are claimed.

Outreach – Since inception of the program, the agency has:

- Sent 736,000 letters to businesses
- Issued 42 press releases
- Sent 61 email updates
- Responded to 4,100 emails
- Answered 11,000 phone calls
- Established a website and social media accounts
- Met with industry groups
- Held virtual public meetings

Also, in the two-month period beginning December 28, 2020 and ending February 28, 2021, radio spots were aired a total of 10,672 times on 106 stations in Oregon and television commercials aired 4,938 times on a total of 28 Oregon television stations.

Joint Committee on Ways and Means Subcommittee on General Government
Written Responses to Day One Questions (3/10/21) for the Department of Revenue
March 11, 2021

Thank you for the opportunity to provide additional information to the committee. Please let us know if you have questions.

Sincerely,

A handwritten signature in blue ink that reads "Betsy A. Imholt". The signature is written in a cursive style with a large initial "B".

Betsy Imholt, Director

Attachments:

Appendix A: DOR ITS 5 Year Strategic Vision – December 2020

Appendix B: DOR IT Strategic Plan Update – January 2021

IT Five Year Strategic Vision

Kathy Terman CIO

December 4, 2019



DOR Strategic Priorities



DOR Strategic Priorities

Optimize Collection Efforts

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

Enhance Taxpayer Assistance

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

Cultivate Operational Excellence

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

ITS Vision, Objectives and Principles

ITS Vision:

Provide technology that enables the program areas to administer tax programs efficiently and to serve taxpayers effectively

ITS Objectives:

- Develop outcome-based management rooted in ITIL foundations
- Optimize/modernize DOR's infrastructure and application portfolios
- Support and add value to our business clients
- Develop people

ITS Principles:

- Base operations on processes and procedures
- Learn and grow as an organization
- Commit to continuous improvement

IT Five Year Strategic Plan

- Establish foundational elements
- Ground IT operations on ITIL foundations with key performance indicators and continuous improvement plans
- Operationalize GenTax and PCM
- Modernize the Agency's hardware and software portfolios
- Mature IT governance at Revenue
- Create a Testing Center of Excellence
- Support Oregon's Continuity of Operations Plan (COOP)
- Strengthen vendor and contract management
- Develop employees by creating training plans, strengthening performance evaluations, and looking at succession plans
- Partner with EIS to fulfill the Governor's vision

Establish Foundational Elements

What We Need

- Application portfolio
- Software portfolio
- PC inventory
- Service account management
- Mobile device management
- Configuration management for everything except GenTax

What We Have

- Server inventory
- Certificate management
- Service catalog
- Vendor list and contacts
- Configuration management for GenTax

Establish Foundational Elements

	2019	2020	2021	2022	2023
Application Portfolio					
Software Portfolio					
PC inventory					
Install Cireson asset mgmt module					
Develop asset lifecycle procedures					
Mobile device management					
Service account management					
Configuration management					



ITIL Roadmap

Past History

There have been several projects to implement ITIL processes in ITS. Many processes are being used and continue to provide value. Some processes have fallen out of practice, and are not as mature as they used to be.

Future State

Processes will be improved in areas that add the most value to our operations. The assessment tools will allow us to determine where we need to improve within each process. The future state goal is to have sustainable practices for these core processes.

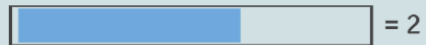
Current Assessment

Service Desk



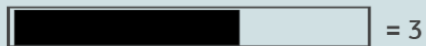
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Asset Management



= 2

Change Management



= 3

Knowledge Management



= 1

Complete a self-assessment of each process using the InfoTech self-assessment tool. This will help determine where we are and what areas are stronger than others. Then determine the goals for improvement.

Problem Management



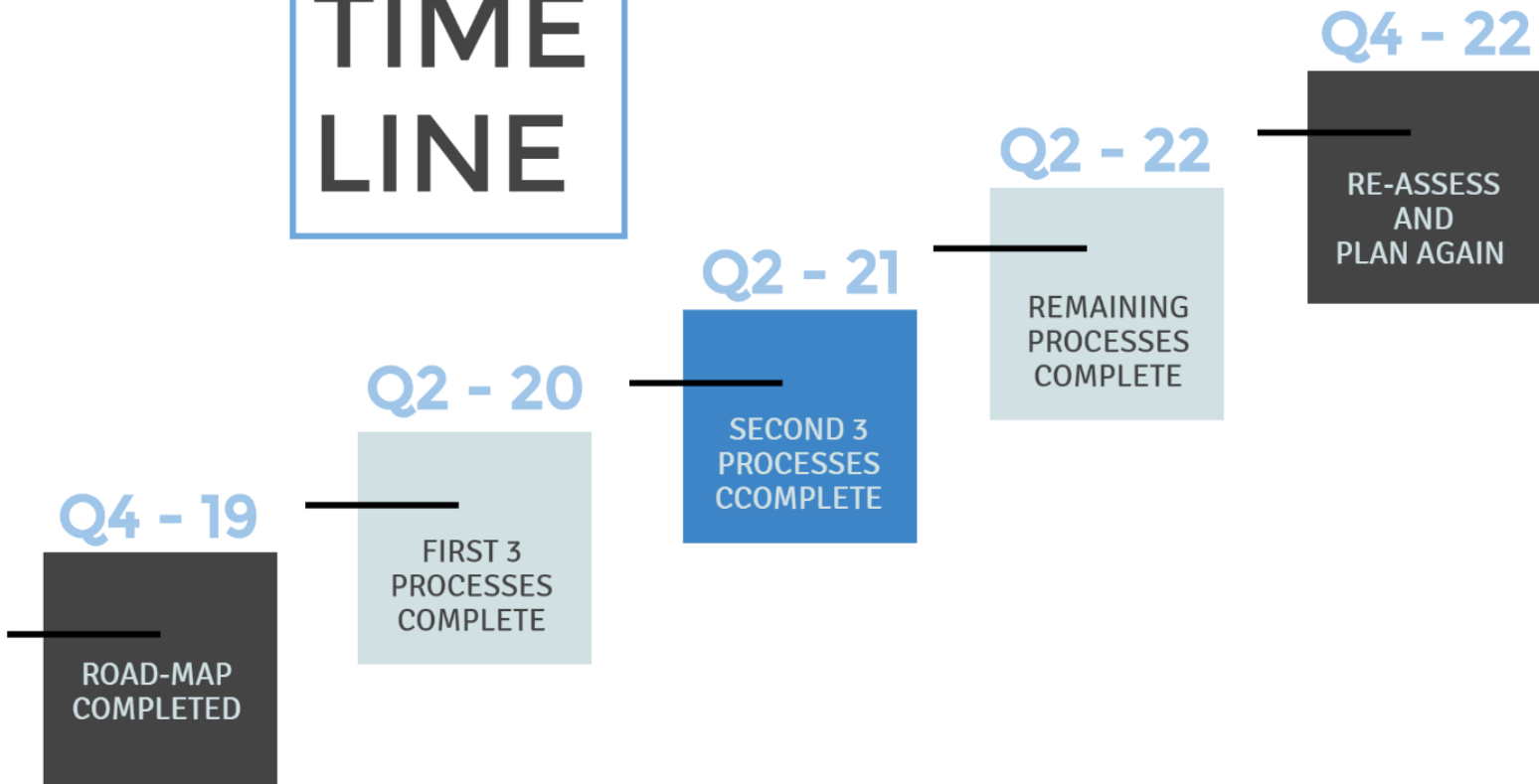
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Incident Management



= 2

TIME LINE



Operationalize GenTax/PCM

The Core System Replacement project lacked a separate project phase to transition the project into the ongoing IT operating model for the Agency. Revenue is currently completing this work. Major milestones in this initiative include:

- Incorporating GenTax into the standard IT operating model for the Agency (e.g. support hours, roles and responsibilities of each group, escalation procedures)
- Streamlining the work intake process
- Defining how work gets prioritized and completed
- Decommissioning the applications replaced by GenTax

Revenue plans to complete most of this work during the 2019-2021 biennium.

Modernize the Agency's hardware

1. Deploy Windows to the agency and build an asset repository (hw/sw)
2. Upgrade the server infrastructure to remove all unsupported operating systems
3. Remove datapower from the environment
4. Upgrade the IVR or replace with ACD functionality

Modernize the Agency's software

5. Create a roadmap for decommissioning the applications replaced by GenTax and PCM
6. Replace the Property Tax applications with a modern solution
7. Upgrade, replace, or rationalize the remaining application portfolio
8. Establish technology roadmaps to ensure portfolios remain current

Mature IT Governance at Revenue

Projects

- IT Governance Committee established
- Executed by project team with a project manager
- Projects are defined as work efforts = or > 400 hours (matches EIS definition)
- Each project is scored and ranked by a business value score
- Tentative project list created by business value
- Project list adjusted by IT Governance Committee and whether business area is ready
- Projects managed and reported on as a portfolio

Operations

- IT Working Group established
- Executed by Operations team
- Operations is defined as non-discretionary work to keep systems running and healthy or discretionary small enhancements < 400 hours
- Non-discretionary work is prioritized and executed by IT Operations team; discretionary work is prioritized by IT Working Group according to value to agency
- Some time is reserved for efforts that don't rise to an agency level but are prioritized by the divisions as important

Create a Testing Center of Excellence

These goals are aspirational. We currently do not have the resources to implement this vision. We may be able to execute on a few of the objectives, but without additional testing resources we will not be able to fulfill the complete vision.

- Create a regression test suite
 - Develop a set of regression test scripts and test cases for GenTax, so that before a release goes into production it is thoroughly tested to ensure there are no unforeseen downstream impacts to functionality being released
 - Once the regression test bed is finalized, purchase a product to automate the regression testing so that it can run without human intervention

Create a Testing Center of Excellence

- Ensure vendor and DOR developers are meeting standards for unit testing
- Formalize functional/user acceptance testing expectations and train testers in those expectations
- Explore load testing of the QuickModules/GenTax interface to determine whether it will add value
- Bring testing rigor to development of other applications, including the new Property Tax replacement project, QuickModules, and the transaction reconciliation system

Mature Revenue's COOP

2020

- GenTax disaster recovery in the cloud

2022

- Conduct a Business Impact Assessment (BIA) at Revenue
- Incorporate DR into the Property Tax system replacement project

2021

- Disaster recovery for QuickModules and the IBML scanners
- Transaction reconciliation system disaster recovery

2023

- Disaster recovery for anything coming out of BIA
- Incorporate DR into the Property Tax system replacement project

Other Strategic Efforts

- Strengthen vendor and contract management
 - *Highlight: assigned someone from PMO to focus on vendor and contract management*
- Develop employees by creating training plans, strengthening performance evaluations, and looking at succession plans
 - *Highlight: pursuing program to professionalize the business analysts and the project managers*
- Partner with EIS to fulfill the Governor's vision
 - *Highlight: M365*

A Word on Innovation

- Current goal is to include innovation as we work through the strategic efforts in this document
- Examples of innovation from included strategic efforts
 - Chatbots - starting with the IT Service Desk
 - Chat functionality for taxpayers/tax preparers from the existing IVR/ACD
 - Responsive design for Revenue Online from GenTax version 12 upgrade
- Data analytics and data governance/data strategy

IT Strategic Plan Update

January 20, 2021



IT Five Year Strategic Plan

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Application Portfolio Update

Operationalizing GenTax

Brought GenTax into standard IT operating model

- Support hours
- Roles & Responsibilities
- Escalation processes



Current GenTax Initiatives

- Increasing knowledge by working with Fast
- Joint DOR/Fast production support monitoring
- Creating standardized maintenance plan
- Developing capacity management process



Operationalizing PCM

The transition of Quick Modules from the project to the maintenance team has been ongoing throughout the project. Currently DOR-IT resources are supporting 80% of the system (phases 1 & 2). They will take over phase 3 for tax year 2021.



Status of Modernization Effort

Initiative

- Decommission the legacy applications & general application portfolio clean-up

Status

- 14 decommissioned
- 20 decom in progress
- 11 work needed but known
- 6 access restricted
- 11 to be replaced by ELVIS if the project is funded

Status of Modernization Effort

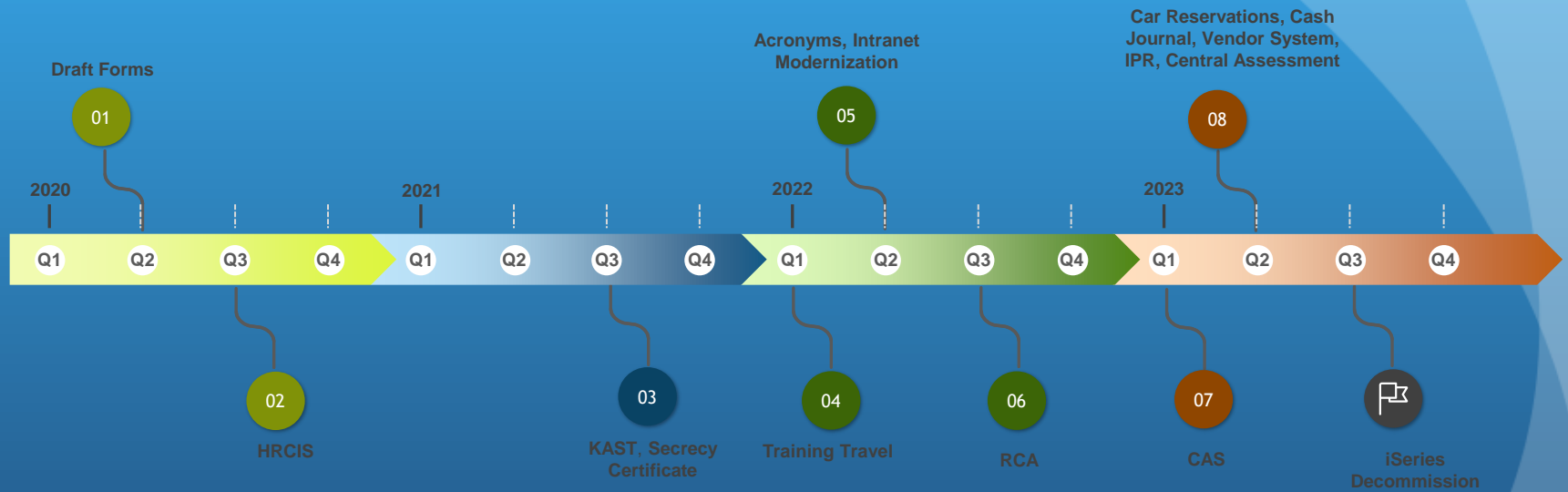
Initiative

- Replace the Property Tax applications
- Modernize the remaining application portfolio

Status

- ELVIS is going through the funding process. We have options if not fully funded
- 15 rewritten
- 2 in progress (HRCIS & Rocket)
- 7 remaining

Application Modernization Plan





GenTax Disaster Recovery

- DOR participated in DCS DR drill in October
- Successfully brought up GenTax staging
- Will refine DR processes
- 2021 Goal: Bring up GenTax production

Mature IT Governance

Project Prioritization

- Project prioritization model finalized and approved by the RLT
- Entire project portfolio prioritized based on new model
- Revising Governance Committee charter & developing process

GenTax Operations

- Production Support Plan finalized
- In 2020, completed three quarters of SQR plans with lessons learned (Q2 = COVID-19).
- Revised process from lessons learned
- Currently executing Q1 2021 & building Q2 2021 SQR plans

Business Process Re-engineering

Between the CSR project and PCM, DOR has installed \$90 million worth of new software. After bringing these systems into the standard operating model of IT, the next step is to look at how DOR can streamline its business processes for these new systems.

New initiatives:

- “Permanent” Season Up calendar creation (due March)
- Processing a tax return from start to finish (Spring 2021)

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Infrastructure Update

Establish Foundational Elements

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- Software portfolio ✓
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- Mobile device management ✓
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What We Have

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- Windows 10
- IVR project
- M365
- Websense upgrade & DLP

The Future