



# Improving Agency Performance and Collections Efficiency: Oklahoma Tax Commission

Final Report

December 31, 2018



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# Project Scope and Background

### Project Background and Context

In May 2017, the Agency Performance and Accountability Commission (“APAC”) was created with the signing of the Agency Performance and Accountability Act. The APAC is a 9 member independent commission tasked with providing comprehensive performance audits that examine the economy, efficiency, and effectiveness of State agencies. The following areas are within scope of the required performance audits:

- **Mandate:** Conduct a comprehensive diagnostic analysis of services provided to determine if the services are legally mandated by authorities
- **Performance:** Conduct a comprehensive assessment of those services which are legally mandated and determine if the performance of those services are measured against established goals and objectives of the agency
- **Structure:** Conduct a comprehensive assessment of the organizational structure of the agency to determine if it is designed to achieve the most effective and efficiency delivery of the services

### Project Objectives

In August 2018, KPMG LLP (“KPMG”) was engaged to assist the APAC in conducting a performance assessment of the Oklahoma Tax Commission (“OTC”), one of the six agencies under review in 2018. The overarching goal of this audit is to produce a set of recommendations to improve the effectiveness of collections and efficiency of OTC operations in terms of people, processes and the use of technology. The following questions were developed to guide and inform the recommendations set out in the report:

1. Is the OTC appropriately identifying and assessing taxes due to the state?
2. Is the OTC effectively collecting taxes owed, and through what types of mechanisms?
3. To what extent is the OTC efficiently and effectively deploying its resource, leveraging technology, and utilizing optimized processes to identify and collect tax revenue?

The recommendations provided in this report will guide internal operational improvements by helping to ensure that the right resources are focused on the right tasks to help bolster the agency’s collection efficiency. The project team also provides guidance to maximize the use of data and analytics and to develop an organizational performance management framework. Finally, implementation guidance with indicators of success was requested to help APAC and the State to monitor the continuous improvements efforts of OTC.

# Project Approach and Methodology

Outlined below is the high-level approach taken to conduct the agency review and inform the final recommendations contained in this report.



**Activities**

- Met with Project Sponsor to clarify expectations and confirm work program for the engagement.
- Conducted 20 interviews with OTC management, operational staff and external stakeholders, consulting over 50 individuals.
- Collected relevant information / data on current staffing models and conducted stakeholder consultations.
- Conducted observations and walk-through of operational areas; including Taxpayer Assistance, Account Maintenance, and Central Processing.
- Identified draft recommendations to improve the efficiency and effectiveness of OTC operations.
- Performed literature review and qualitative research on tax identification and collection leading practices.
- Conducted quantitative analyses using public data and data provided by OTC.
- Developed a final report with opportunities, recommendations and high level implementation plan.

**Interviews & Workshops**

- OTC Leadership
- OTC Commissioners
- Taxpayer Assistance Division
- Account Maintenance Division
- Compliance Division
- Management Services Division
- Tax Policy
- Legal Division
- Human Resources
- Ad Valorem
- Communications
- Internal Audit
- Department of Commerce
- Legislative Affairs, Senate
- Fiscal Affairs, House of Representatives
- Oklahoma City
- Oklahoma Municipal League
- State of Wisconsin

# Agency Objectives and Goals








## Agency Background

The primary function of the OTC is to collect taxes and enforce taxation and revenue laws of the State of Oklahoma. A three-member council, appointed by the Governor of Oklahoma and confirmed by the Oklahoma Senate, oversees the Tax Commission and is responsible for administration of the day-to-day operations of the Agency.




## Agency-Wide Action Plans and Long-term Goals

Outlined below is a summary of OTC's strategic action plan and goals from 2021 to 2025. The strategic aim of the agency is to drive efficiency, increase taxpayer value and improve the effectiveness of collection efforts. The goals summarized below were developed by the agency prior to this study.

### OTC 2021 – 2025 Action Plan

-  Create and / or maintain cooperative relationships with other governmental entities for compliance and processing efficiency;
-  Employ technology to enhance services;
-  Design and implement a customer satisfaction process;
-  Form strategic alliances with private enterprises, where beneficial, to increase agency efficiencies and customer service;
-  Evaluate and redesign, as necessary, internal structures, practices and procedures to increase efficiency, professionalism and customer service;
-  Effectively educate Oklahomans regarding Commission services, tax laws/changes, and other information that will improve their taxpayer experience; and
-  Process ongoing initiatives in a timely manner.

### OTC 2021 – 2025 Goals

-  Decrease average document processing time;
-  Decrease the number of non-compliant Oklahoma business and income taxpayers to 9% or lower while holding average cost of collection activities stable; and
-  Increase Oklahoma taxpayers' use of technology while reducing the average total cost of processing returns.

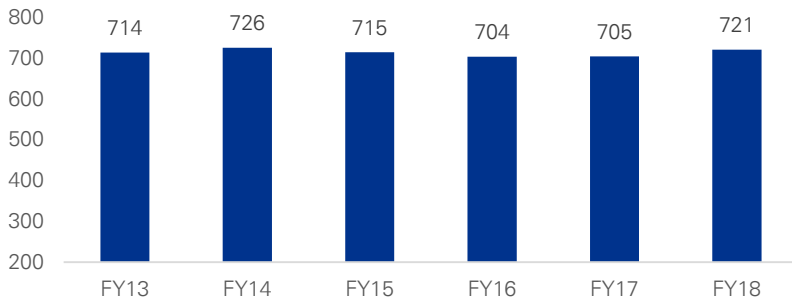
## Overview of Oklahoma Tax Commission

# Agency at A Glance



### OTC Headcount

OTC currently has approx. 721 FTEs with Compliance Division representing the largest group at 259 employees.

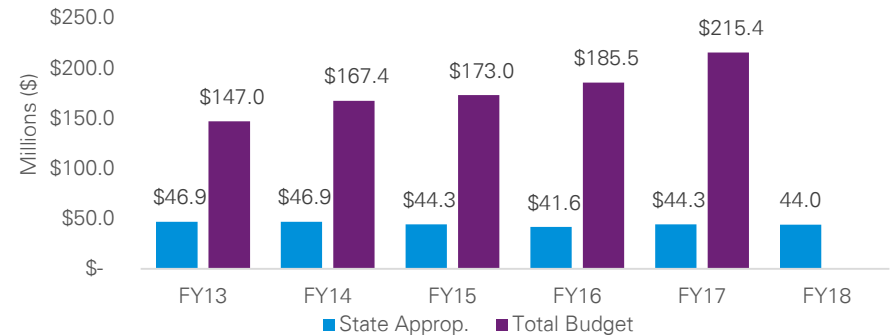


Source: 2019 State of Oklahoma Executive Budget



### OTC Budget

State Appropriations to OTC have remained fairly stable while the overall agency budget has grown by an annual average of approx. 10% in the last 4 years.

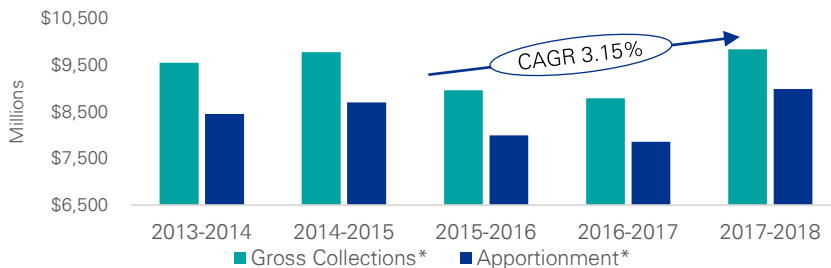


Source: 2019 State of Oklahoma Executive Budget



### Collections and Apportionment

The OTC collected \$9.5B in 2017/18 reflecting an upward trend in collections over the last three years.

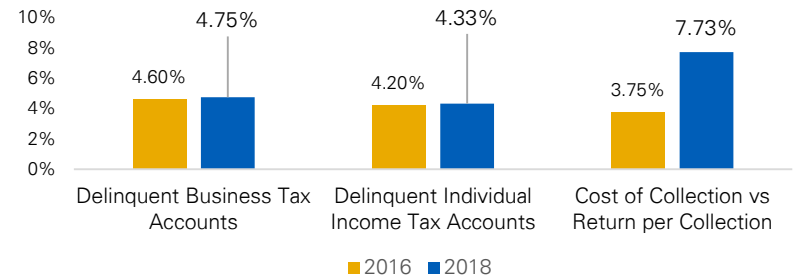


\*Gross collections excludes city/county sales, use and lodging taxes  
 \*Apportionment includes funds from city/county sales, use and lodging taxes



### Key Performance Indicators

The percentage of delinquent accounts and the cost of collections have increased since 2016



Source: OTC Strategic Plan FY 21 – FY 25



# Agency Strengths and Success Stories

## Agency Strengths

During the consultation and analysis phase of this initiative, the project team observed several successful initiatives and good operating practices. The recommendations provided in this report build upon these strengths of the agency, which are highlighted below. Additionally, the leadership team at the OTC has shown a willingness to engage, an openness to consider new ideas and a commitment to continuous improvement. They made themselves and team members readily available on request for meetings and discussions, and provided the project team with timely access to, and validation of, initial findings.



**Improved efficiency through technology:** The Agency has emphasized use of technology, making it a priority of the organization and reflected in several initiatives undertaken over the last several years. Some of these initiatives include;

- **OneLink** – OTC has effectively deployed OneLink’s integrated tax technology solution to improve operational efficiency, enable better communications with the Commission and realize significant cost saving and efficiency gains. Revenue collected per OTC employee increased steadily through 2010 – 2015, reflecting the productivity benefit due to improved technology.
- **Imaging Technology** – The implementation of advanced imaging technology has significantly increased efficiency in handling paper returns and reduced labor costs within the central processing function.

**0101** **Enhanced Audit effectiveness through data analyses:** The OTC improved the effectiveness of the audit process through  
**1001** “Discovery Projects”, including initiatives using US Customs and IRS data, and the validation of individual exempt sales reporting.



**Increased the E-Filing rate for individual income:** Individual income e-filing rate of Oklahoma has reached 90%, which has reduced the average total cost of processing returns.



**Optimizing staffing mix:** The OTC reduced the number of temporary employees used for Tax processing by improving the process using new applications and equipment.



**Expanded taxpayer options:** The OTC implemented a new plan option through OK TAP that allows delinquent taxpayers to set up their own payment plan following agency guidelines.




# Vision 2025 of the Tax Commission

The future of OTC will have at its core a leadership and workforce that is **mission-driven**. The Commission will operate at a high level of efficiency because it will be well **supported and augmented by technology**. It will be effective because its decision-making and operations will be **informed by data-driven insights**. The OTC has begun preparing itself for these changes to ensure that it continues to be a benchmark amongst its peers, but will need to continue investing the appropriate resources to achieve its ambitions.




## Tax Commission of the Future






### People and Culture

-  **Culture of Continuous Improvement:** Systematic improvement of processes, protocols and procedures.
-  **Mission-driven:** Organization mission and goals align with values of new oncoming workforce.
-  **Capacity Building:** Advanced training programs that close skill gaps and build internal capacity.

### Technology and Analytics

-  **Data and Analytics:** Predict likelihood of non-compliance, underreporting and underpayment.
-  **Digitization:** Majority services delivered over internet and mobile apps.
-  **Process Automation:** Typical computer processes automated by software.

### Resource and Performance Management

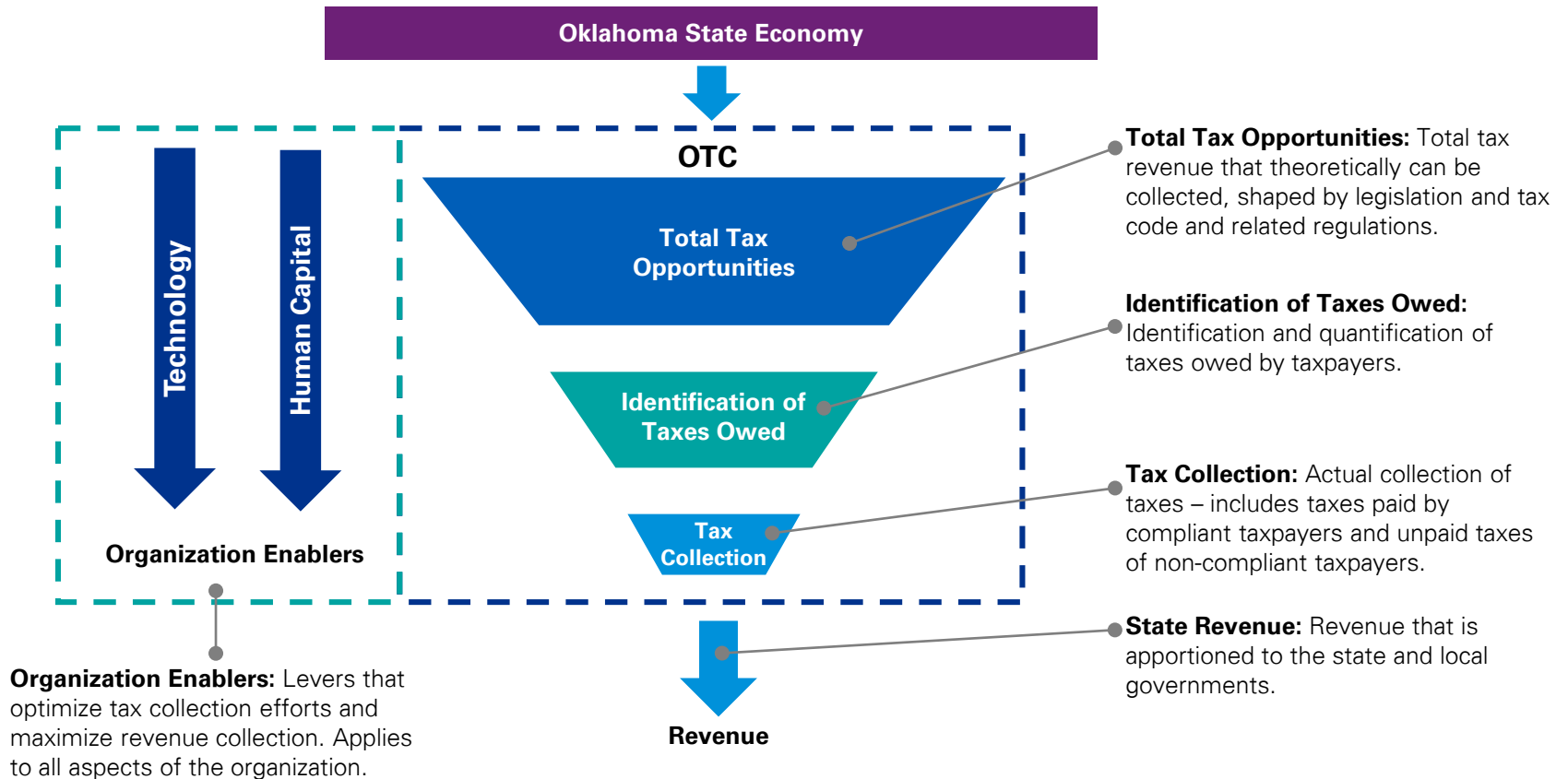
-  **Performance Measurement:** Clear indicators of individual, division and organizational success.
-  **Governance and Accountability:** Mechanisms to hold individuals at all levels accountable for their performance.
-  **Workload Optimization:** Active alignment of organization resources to fluctuating demands.



# Tax Collection Framework

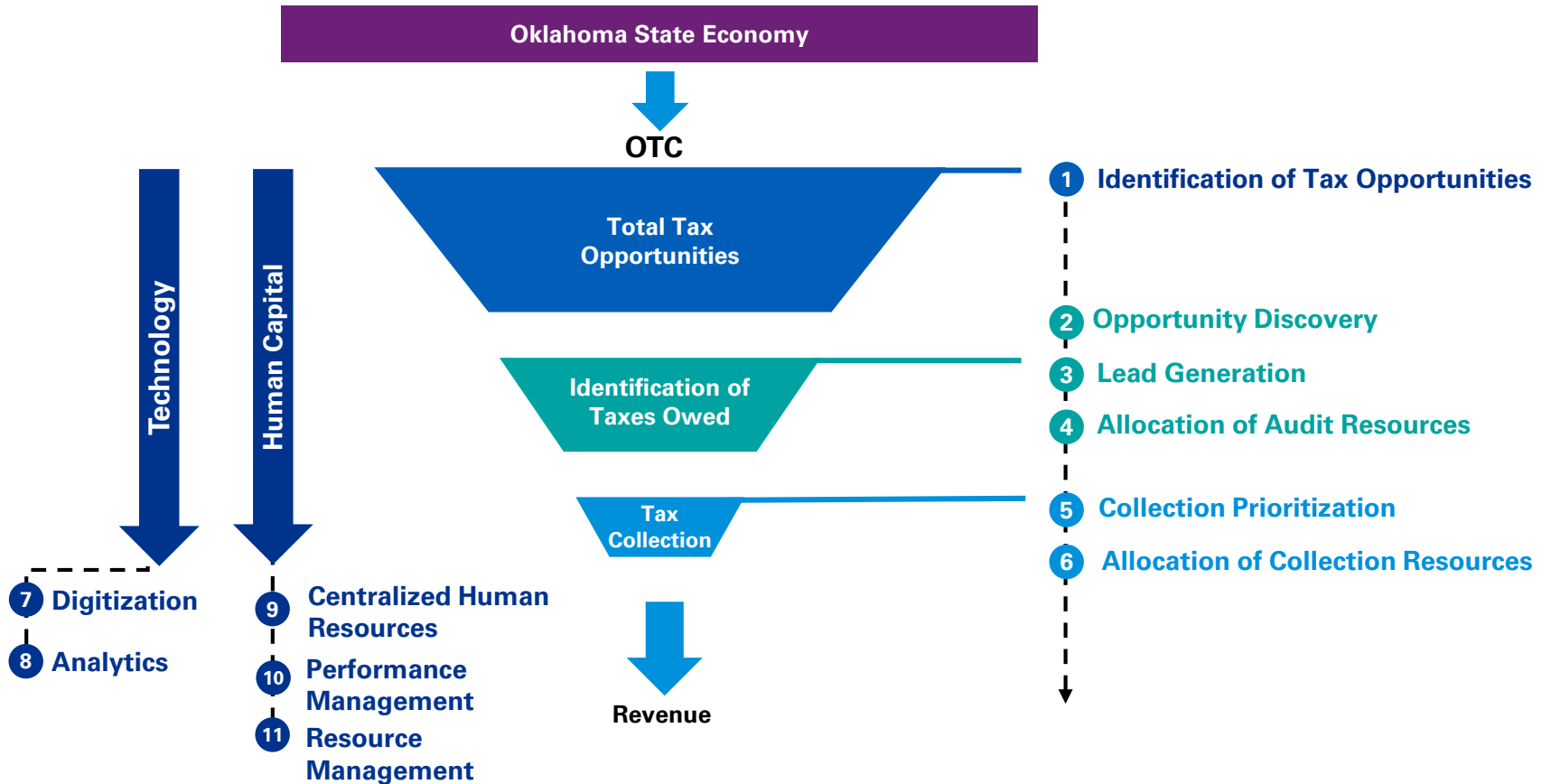
Outlined below is a high-level illustration of the key elements of the tax identification and collection process. This KPMG reference model includes key enablers and serves as the outline to guide findings and recommendations within this report.

The framework below also provides a clear focus on the guiding questions for this review, including the appropriate identification and assessment of taxes due, effective collection of taxes and the use of personnel, technology and optimized processes.






# Framework Elements Applied to OTC

Outlined below is the conceptual framework of the OTC broken down into its elements. Each element reflects a component of the OTC’s current operating model, or a recommended component of its future operating model (e.g., Centralized Human Resources) relating to the identification, quantification and collection of taxes owed by compliant and non-compliant taxpayers.





# Agency Observations and Opportunities (1 of 2)

Outlined below are the high-level recommendations with corresponding current-state observations and opportunity areas. Details for each of these recommendations are provided in the subsequent pages of this report. An implementation plan and roadmap are also offered as guidance for State and agency leadership as these recommendations are rolled out. Taken together, the elements provide an action plan for OTC to continue on its journey of becoming a high performing and future-oriented tax agency.

Opportunity Areas	Observations	Recommendations
 <p><b>1. Total Tax Opportunities</b></p>	<ul style="list-style-type: none"> <li>— Department does not have a clear view of uncollected tax revenue. While hard to quantify, other state tax commissions and the IRS have made attempts to estimate tax gaps (albeit imperfectly) and develop strategies to reduce this amount of uncollected revenue.</li> </ul>	<ul style="list-style-type: none"> <li>— <b>1.1 Tax Gap Study</b> – Conduct tax gap study to quantify total tax revenue that could be collected by the State.</li> <li>— <b>1.2 E-Filing</b> – Mandate e-filing for corporate tax returns.</li> </ul>
 <p><b>2. Identification of Taxes Owed</b></p>	<ul style="list-style-type: none"> <li>— Audit leads are based on intuition and historic success instead of a systematic approach using data and analytics.</li> <li>— <b>Significant variance of Return on Investment (ROI)</b> of audits based on random sampling.</li> </ul>	<ul style="list-style-type: none"> <li>— <b>2.1 Data-Driven Auditing</b> – Enhance audit lead generation to be more ROI-focused by formalizing and refining selection criteria and prioritization.</li> </ul>
 <p><b>3. Tax Collection</b></p>	<ul style="list-style-type: none"> <li>— Significant variance in amount collected through OTC collection activities by case.</li> <li>— Collection activities are based on “first in – first out” approach with limited understanding of value drivers.</li> </ul>	<ul style="list-style-type: none"> <li>— <b>3.1 Targeted Collection Activities</b> – Strategically prioritize collections activities to achieve higher return on collection efforts.</li> </ul>

# Agency Observations and Opportunities (2 of 2)

Outlined below are the set of high-level recommendations with the corresponding objectives and rationale for each recommendation.

Opportunity Areas	Observations	Recommendations
 <p><b>4. Technology</b></p>	<ul style="list-style-type: none"> <li>— The OTC relies on tag agents to handle a wide range of motor vehicle related transactions and <b>collected about \$52.6 million in fees from OTC in FY2018.</b></li> <li>— Costly and ineffective oversight of tag agents while the need for tag agents is unclear especially in larger counties where tag agents can potentially be substituted with online processes.</li> </ul>	<ul style="list-style-type: none"> <li>— <b>4.1 E-Titling and E-Registration</b> – Adopt e-titling and e-registration in the Motor Vehicle Division to minimize costs, speed up processing time, and cut workload in order to maximize revenue.</li> <li>— <b>4.2 Electronic Forms</b> – Ensure all agency forms are fillable electronically to reduce manual entry by agency staff.</li> </ul>
 <p><b>5. Human Capital</b></p>	<ul style="list-style-type: none"> <li>— Lack of performance measures either at the agency level or division level that <b>address taxpayer compliance or revenue collections.</b></li> <li>— Majority of agency performance measures are activity-based and quantify the volume of work (e.g. number of tasks completed) but do not provide <b>insights on the efficiency or effectiveness of the activity,</b> or the outcomes achieved.</li> <li>— HR division does not have an active role in hiring, suggesting a lack of coordination and oversight among divisions.</li> <li>— Lack of productivity metrics of staff with tasking relying on “first in – first out” approach instead of being skill / capabilities driven.</li> </ul>	<ul style="list-style-type: none"> <li>— <b>5.1 Performance Management Framework</b> – Implement a performance management framework as a key tool to support improved governance, effectiveness, efficiency, productivity and increased accountability at the organizational, team and individual levels.</li> <li>— <b>5.2 Human Resources Plan</b> – Develop a human resources strategic plan for a modernized “Tax Commission of the Future” and conduct skills gap assessment to inform workforce planning decisions.</li> <li>— <b>5.3 Resource Management Framework</b> – Develop and implement a formalized resource management framework.</li> </ul>

## Summary Observations and Recommendations

# Anticipated Outcomes

The final report details the anticipated outcomes of each recommendation in further detail. As a high-level illustration, each recommendation is assessed against a set of outcome categories, as defined below:

	Anticipated Outcomes				
	<b>Revenue Enhancement</b> <i>Impact on OTC's ability to increase collections</i>	<b>Organizational Efficiency</b> <i>Impact on current organizational processes</i>	<b>Effective Resource Utilization</b> <i>Improvement in resource allocation, development and task alignment</i>	<b>Strategic Direction</b> <i>Accelerates OTC's path towards achieving its long term goals</i>	<b>Customer Satisfaction</b> <i>Impact on positive customer experience</i>
<b>1.1 Tax Gap Study</b>	✓		✓	✓	
<b>1.2 E-Filing</b>	✓	✓	✓	✓	
<b>2.1 Data-Driven Audit</b>	✓		✓	✓	✓
<b>3.1 Targeted Collection Activities</b>	✓	✓	✓	✓	✓
<b>4.1 E-Titling and E-Registration</b>		✓	✓		✓
<b>4.2 Electronic Forms</b>		✓	✓	✓	✓
<b>5.1 Performance Management</b>	✓	✓	✓	✓	
<b>5.2 Human Resources Plan</b>		✓	✓	✓	
<b>5.3 Resource Management Framework</b>		✓	✓	✓	✓

# 1.0 Total Tax Opportunities

## Total Tax Opportunities

**Explanation:** The total amount of taxes assessed and owed to the state and the variables that impact the collectability of this potential revenue. This refers to the nexus of taxes across all types as well as the influence of legislative and economic trends.

### 1 Identification of Tax Opportunities

#### Current State and Key Considerations

- The OTC conducts environmental scans to inform the strategic planning process through the Tax Policy and Research division, as well as contracted providers. This includes projecting the impact of economic, social, and regulatory factors on overall revenue forecasts.
- The Tax Policy and Research Division consists of 15 FTEs and was formed to assist OTC divisions in the recommendation of adoptable written policies to the Commission. It is also responsible for working with the Legislature to track over 300 bills per year and provide agency revenue impact projections when required.
- Micro simulations are also performed to show the effect of revenue variability within industries and the associated impact on state tax collections.
- Difficulties in compliance and collections within industries are assessed on an ad-hoc basis. Discovery Projects are developed to tackle these difficulties and can be combined with enhanced education and outreach supports.

#### Considerations

- There is an opportunity to better understand the current levels of compliance and risk in the tax system through the regular publishing of a *tax gap study*.
- Tax gap studies align with international leading practice in tax administration and also assist in resource allocation, audit strategies, education programs and legislative guidance.

# 1.0 Total Tax Opportunities

## 1.1 Tax Gap Study Recommendation

**Recommendation:** Conduct tax gap study to quantify total tax revenue that could be collected by the State.

**Rationale:**

- Historically, the OTC has not conducted tax gap studies. Other states have recognized the importance of tax gap studies to **quantify the state’s uncollected tax, establish a baseline and measure effectiveness** of its policies or activities.
- Even with a high degree of audit and collection effectiveness, without clear view of the total gap in potential tax revenue, OTC may not be deploying its resources to pursue the most optimal areas for enforcing tax compliance.
- Despite time and resource constraints, a tax gap study will enable the OTC to better understand the rate of non-compliance by industry, tax codes, and taxpayer clusters. OTC can use this information to focus its efforts on legislative changes, improved targeting of audits and prioritization of collection approaches.

**Applicability:** This recommendation is applicable to the entire organization as it would inform many long-term operational and strategic decisions. This initiative could be led by the Tax Policy Group and performed internally or in partnership with subject matter experts.

**Expected Benefits:**

- Improved insights for management regarding the effectiveness and efficiency of the agency’s collection efforts, allowing leadership to:
  - i. Better detect and deter non-compliance; and
  - ii. Guide the allocation of audit resources to make them more effective / efficient.
- Increased ability to benchmark performance relative to comparable states and understand evolving practices to limit revenue leakage (e.g. e-commerce taxation and collection).

Other states have conducted similar tax gaps yielding an estimated tax gap between **10% and 16%**.

State	Tax Year	Estimated Tax Gap
California	2005	11.0%
Idaho	1994	9.5%
Minnesota	2000	9.9%
New York	2002	13.9%
New Mexico	2013	10.1%
Minnesota	2013	12.0%
IRS	2008 - 2010	16.3%

Below is an **indicative example of the potential magnitude of uncollected taxes** using OTC’s total tax collections in 2018, as well as potential revenue opportunities.\* These opportunities are calculated using sample recovery rates of 5%, 10% and 15%.

Tax Gap Source	Oklahoma Tax Revenue Opportunity Estimated Recovery Rate (Millions)		
	5%	10%	15%
IRS Rate (16.3%)	\$95.8	\$191.6	\$287.4
Avg. State Rate (11.1%)	\$61.4	\$122.8	\$184.2

\*Please refer to the appendix of this report for a description of the tax gap estimates and estimated potential for additional revenue recovery.

# 1.0 Total Tax Opportunities

## 1.2 E-Filing Recommendation

**Recommendation:** Mandate E-filing in corporate income tax returns.

**Rationale:**

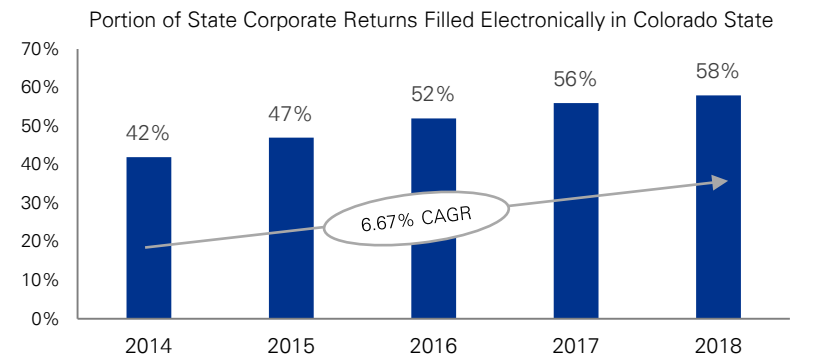
- The OTC has set an electronic filing target of 70% for corporate income tax returns. The current e-filing rate of business tax-related returns dropped from 69% in FY16 to 65% in FY18.
- E-filing for individual income tax in Oklahoma reached 90% in FY18, presenting an opportunity to translate this success to business-related tax returns. One consideration is for the OTC to mandate e-filing in business related tax returns.
- Paper returns significantly increase processing time and effort, requiring more dedicated positions that could be focused on higher value revenue-generating activities.
- The cost savings from e-filings increases significantly after it crosses the 90%+ threshold as the need to maintain parallel manual and filing support processes decline sharply.
- KPMG identified six states with mandated requirements for corporate income tax e-filing, including Colorado, Illinois, Massachusetts, Tennessee, Virginia, Michigan and New York.

**Applicability:** This recommendation would involve stakeholders from a variety of groups, including IT, Tax Policy, Account Maintenance and Compliance Divisions.

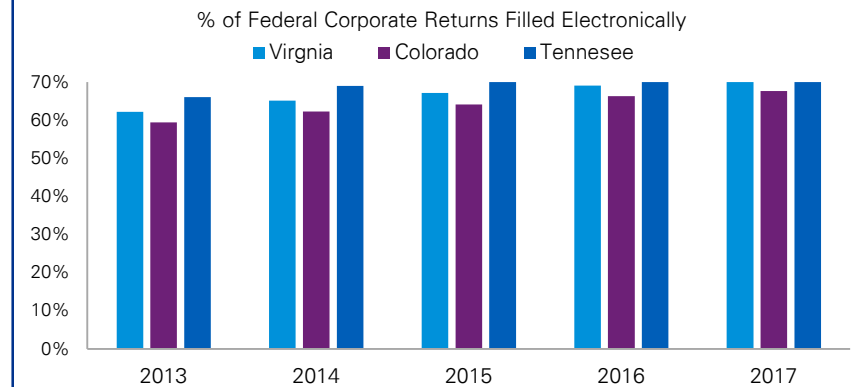
**Expected Benefits:**

- Increased rate of E-filing of corporate tax returns, allowing OTC to exceed the established goal of 73% prior to FY24.
- Reduced costs associated with the inefficiencies of manually processing paper returns while enhancing customer service and increasing availability of taxpayer information.

After Colorado mandated e-filing for corporate tax returns in 2013, e-filing rates experienced 6.67% annual growth.



Using e-filing for federal taxes as a proxy, all three states that mandated corporate e-filing in 2013/2014 **experienced an average increase of 13% in returns filed electronically** to date.





# 2.0 Identification of Taxes Owed

## Identification of Taxes Owed

**Explanation:** Refers to the efforts undertaken to appropriately identify and assess taxes due to the state. This is a function of leveraging data and technology to identify leads and efficiently assigning audit personnel to the most productive leads.

2 Opportunity Discovery

3 Lead Generation

4 Allocation of Audit Resources

### Current State and Key Considerations

- The introduction of Discovery Programs has strengthened OTC’s use of data to generate leads from within the compliance division. Existing Discovery Programs pull from sources such as Office of U.S. Customs data, IRS and OTC forms and credit card data.
- In FY 2018 over 10,000 Discovery Leads were generated for Business Tax, including sales and withholding. The Compliance Division also has a dedicated team to Gross Production lead generation and audit.
- There are currently 177 auditor positions and local jurisdictions have authority to contract with independent auditors according to Title 68, S. 262. Sales and use tax audits are completed by 42 FTEs, including 17 Chartered Professional Accountants (CPAs).
- Compliance Division leadership uses the GenTax OneLink system to assign and monitor tasks for each auditor. Due to limited lead scoring, however, allocation of audit resources is primarily based on first-in first-out approach, with alignment of case types to auditor experience where possible.

#### Considerations

- Efforts are made to pursue as many discovery leads as possible with the time and resources available. There is no formal scoring of leads, making it difficult to prioritize work based on estimated timelines and audit outcomes.
- A significant variance in auditor experience and training underscores the importance of assigning the right type of audits in terms of value and complexity to the right personnel.
- Additional features within OneLink, such as the analytics module, present opportunities to further bolster the use of data to drive efficiency and effectiveness.

# 2.0 Identification of Taxes Owed

## 2.1 Data-Driven Auditing Recommendation

**Recommendation:** Enhance audit lead generation to be more ROI-focused by formalizing and refining selection criteria and task prioritization for auditors.

**Rationale:**

— The current lead identification process relies on querying the OneLink data warehouse. Selection criteria is based on intuition, past individual experience, and conducted on ad-hoc basis. There were two areas for improvement identified:

- 1. Lead selection criteria:** Lead generation is based on historic success / experience instead of identifying the most promising leads. As a result, the Agency may be overlooking areas that would be more beneficial and efficient to pursue; and
- 2. Leading prioritization:** Leads are not systematically prioritized once a set of leads are identified. For example, there were over 10,000 business tax leads identified in FY18 with less than 180 audit staff.

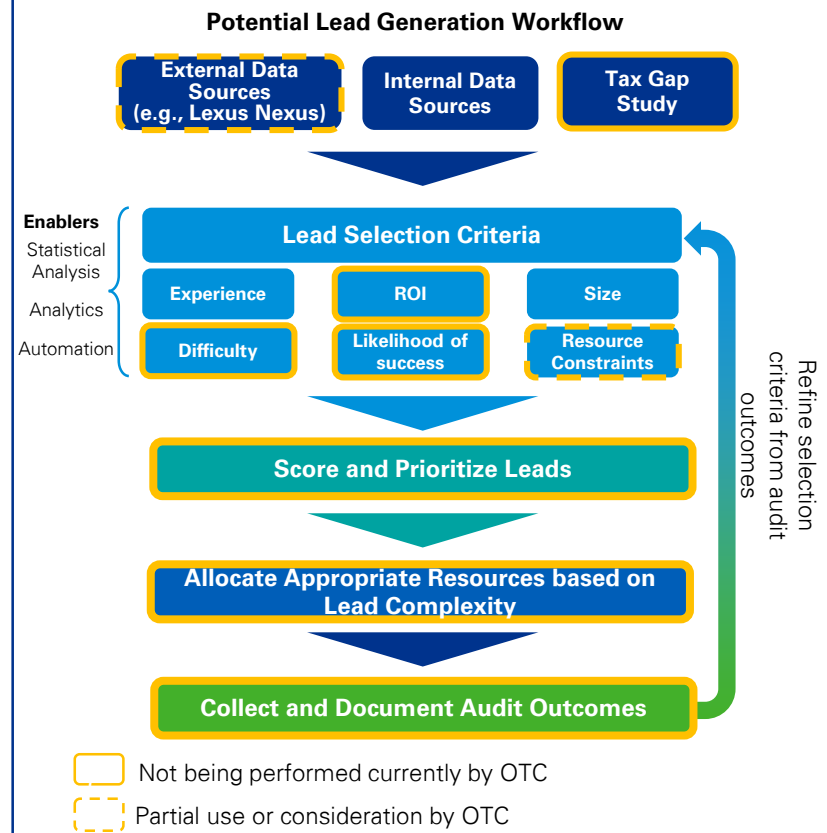
— The Wisconsin Department of Revenue, a leading organization in this space, utilizes a similar software platform and implemented a robust method for identifying and prioritizing leads. A combination of external and internal data sources are used to identify non-compliant taxpayers and score leads by collection difficulty, collection size, likelihood of success and other metrics. *Refer to the appendix for a case study.*

**Applicability:** This recommendation applies to the audit functions Compliance division and has an indirect impact on collections staff.

**Expected Benefits:**

— Increased portion of audits with positive results, yielding enhanced **productivity and efficiency from audit efforts** and revenue generation.

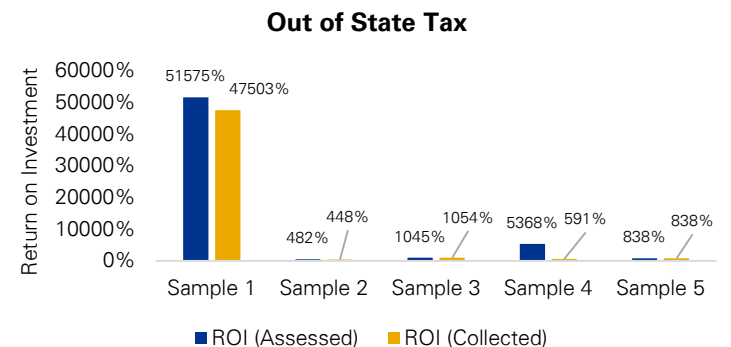
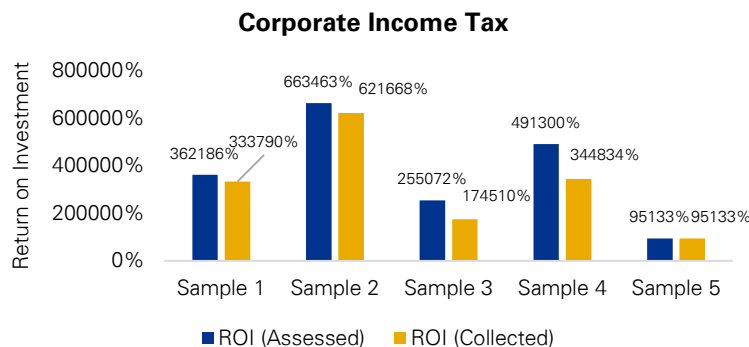
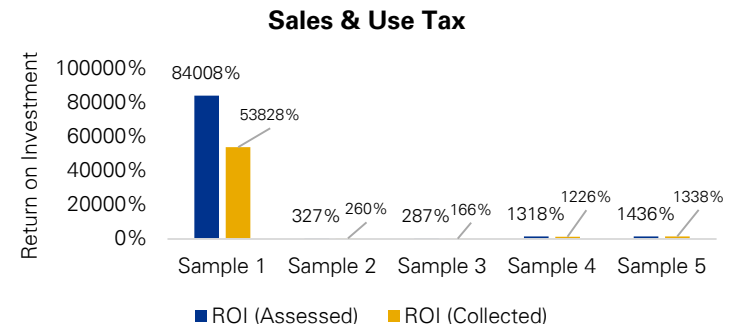
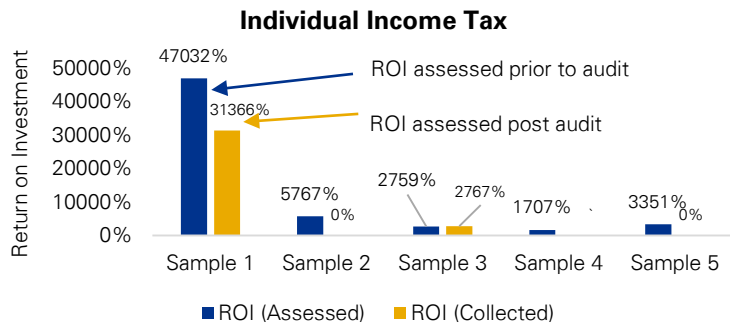
Depicted below is the WDR framework for identifying and prioritizing audit leads. Wisconsin utilizes historical collection and audit data to iteratively improve audit selection and audit ROI.



# 2.0 Identification of Taxes Owed

## 2.1 Data-Driven Auditing Recommendation (Cont'd)

KPMG was provided five sample audits for four tax types and identified large variances in audit return on investment in all observed tax types\*. This is understood as the staff time and costs compared to the additional assessed amount. The charts below show the audited and collected amounts within each sample. While these samples are not statistically representative, it provides an indication of the variances of ROI and an opportunity for enhancing post-audit ROIs.



\* Samples were randomly selected by the OTC for further analysis by KPMG.

# 2.0 Identification of Taxes Owed

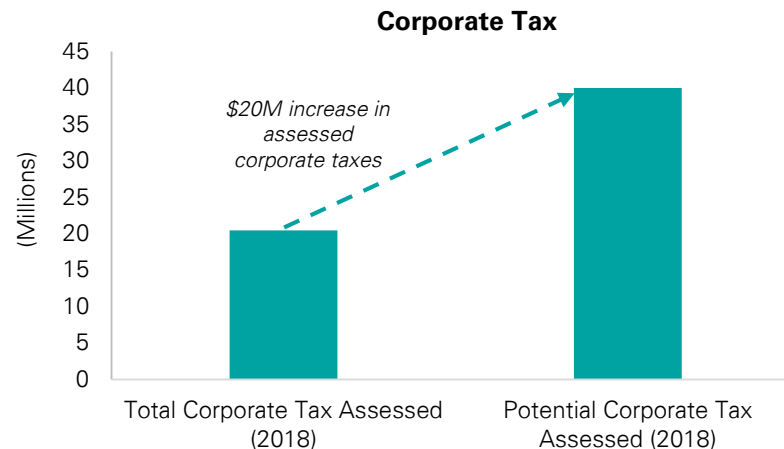
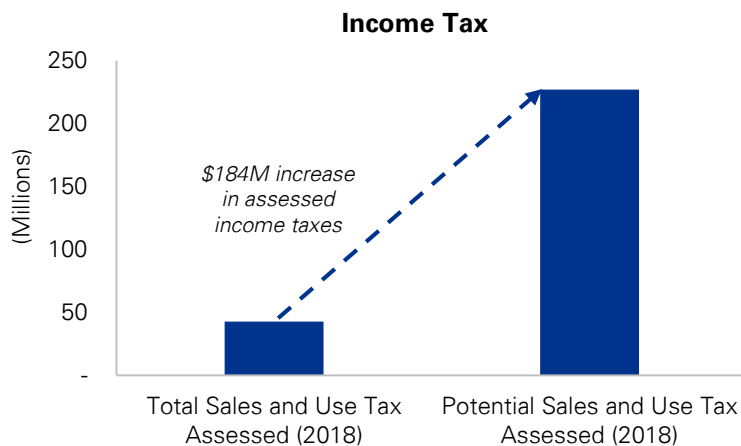
## 2.1 Data-Driven Auditing Recommendation (Cont'd)

The portion of taxes assessed through audit efforts as a percentage of total receivables in the 2018 tax year was below comparable benchmarks (refer to figure below). Using the average of the benchmarks, the difference between the benchmark average for assessment and the actual amount assessed is \$200M. This highlights the opportunity to target leads with high values and / or high probability for adjusted returns.

Audit Assessment Benchmarks	Assessed Amount as a Percentage of Total Taxes Receivable
2005 California Individual and Corporate Income Tax	3.0%
1994 Idaho Individual and Corporate Income Tax	5.0%
IRS Estimation for All Tax Types	5.1%
<b>Average</b>	<b>4.4%</b>

*In 2018, the OTC assessment rate was 2% for Corporate Income Tax and 0.74% for Individual Income Tax*

**By using an average assessment percentage of 4.4% (average of the three select benchmarks), there is roughly a net assessment opportunity of \$200M.** Note: The graphs below are indicative and further analysis to determine the appropriate assessment percentage for OTC.



# 3.0 Tax Collection

**Identification of Taxes Owed**

**Explanation:** Refers to the efforts undertaken to appropriately identify and assess taxes due to the state. This is a function of leveraging data and technology to identify leads and efficiently assigning audit personnel to the most productive leads.

**5 Collection Prioritization**

**6 Allocation of Collection Resources**

## Current State and Key Considerations

- The primary functions of the Collections group are carried out by administrative collections, office collections and field collections. The work outputs are summarized in the table to the right for FY18.
- Total delinquent collections in FY18 were \$96.9M, this includes \$43.4M collected from Outside Collection Agencies (OCAs).
- Business closure accounted for the largest source of collections with \$25.9M in FY18, Notice to Show Cause hearings led to \$14.3M in collections.
- Two Outside Collections Agencies (OCAs) are currently used with additional fees added to collections amount and not reduced from the total amount owing to OTC. These OCAs are currently responsible for collecting on over 140,000 accounts with a total tax, penalty, and interest amount of nearly \$400M.

Business closure warnings	28,869
Business compliance visits	24,586
Sweep team visits (6 months)	4,974
OKTap self initiated payment plans	2,098
Other payment plans	1,975
Businesses closed	1,606
Non-registered businesses identified	51

### Considerations

- There are over 93,000 employer establishments in the state and less than 100 field-based staff. There is also a mix of large rural geographical areas and relatively population-dense cities which creates challenges in visiting businesses and tracking permits / licensing.
- The total amount of outstanding revenue from non-compliant taxpayers will always exceed any given agency’s capacity to achieve 100% collection, making strategic and fair prioritization is essential.
- Opportunities highlighted in staff interviews include the use of external data to identify where businesses may be operating , more advanced mapping and route-planning software, and caseload prioritization methodology for collections staff.

# 3.0 Tax Collection

## 3.1 Collection Prioritization Recommendation

**Recommendation:** Strategically prioritize collections activities to achieve higher ROI on collection efforts, through the following activities:

1. Identify and assess value-add activities;
2. Use multiple data sources to prioritize collections; and
3. Use the right staff in the right locations to maximize workload effectiveness

**Rationale:**

- **Identify value-add activities:** There is a limited quantitative assessment of the effectiveness and efficiency of activities that help this group achieve its overall goals. These goals include accelerating collections and identifying unpermitted businesses. A detailed review of activities performed by revenue collection agents will help to understand what activities are linked to longer term education and proactive enforcement compared to activities targeting short term tax payment acceleration.
- **Utilize data to prioritize collections:** Data-driven decision making should inform which collections accounts and types are worth pursuing. It is suggested the team leverage historical and third-party data to help prioritize collections based on collectability, size and ROI. Other suggestions for this opportunity area include:
  - i. Using statistical and predictive analyses to identify non-compliant taxpayer's ability to pay;
  - ii. Allocating resources based on probability scores of collections;
  - iii. Identifying tax types which yield the highest returns, in addition to characteristics specific to cases within each tax type that indicate a high probability of recovery; and
  - iv. Expanding the use of automated notices for accounts with low likelihood of short term collections

- **Maximize staff workload effectiveness:** Based on the Wisconsin Department of Revenue model, there may be an opportunity to move field staff to desk-based positions to focus on collecting data and performing research on potential unpermitted and non-compliant businesses. The Wisconsin model uses a wide range of data sources to create and identify profiles of non-compliant businesses and then conducts field visits only when absolutely necessary, such as to deliver physical documents or verify closure. This has saved significant staff time and has led to increased execution and revocation orders.
- Currently, OTC teams are assigned to geographic areas and are expected to conduct random sweeps. For example, Sweep conducted a sweep of over 2000 businesses to only identify 23 unpermitted business. This example highlights the opportunity to use more cost-effective and efficient methods.

**Applicability:** This recommendation applies to the Collections group in the Compliance Division.

**Expected Benefits:**

- Increased collections with existing resources while enabling better data collection for use in the compliance and collection groups.

# 4.0 Technology



7 Digitization

8 Analytics

**Explanation:** Technology is a key enabler of each of the opportunities and recommendations proposed in this report. Technological solutions and the enhanced use of data and analytics will help transform data into knowledge and informed decision making. This section is focused on specific uses of technology and online services to provide improved customer access and generate internal efficiencies and savings.

## Current State and Key Considerations

- OTC leadership recognizes the necessity of exploiting technological solutions to improve operational efficiencies. A recent priority project was the implementation of OneLink, a GenTax Integrated Tax System, that was essential to collect and analyze data to benefit internal operations and improve customer service.
- The Central Processing Division (CPD) has also made recent gains in productivity and timeliness through technology deployment, allowing for a 30% workforce reduction since 2010. Within CPD, over 3 million documents are imaged and recorded annually, including 1.1 million returns/ payments. The Agissar system facilitates bar code tracking, employee productivity monitoring and quality assurance.
- Interview participants expressed a keen interest in technologies, from improved mapping and route guidance for field collection agents to walk-in customer service kiosks. Still, the 2018 employee engagement survey did not reference technology in the 77 questions asked. The department will need to engage with employees to understand technological opportunities, prioritize investments, and design training opportunities.

### Key Considerations

- The management and supervisor groups should be a they key drivers of technological solutions to solve complex business challenges and improve existing processes.
- It is important to maximize the use of existing systems and platforms such as OneLink and the OKTAP portal, while exploring the potential for innovative technologies. Blockchain and machine learning are examples of technologies that should be understood and part of the agency's medium to long term technology strategy
- Technology will continue to augment human capabilities and will have important implications on training and recruitment, highlighting the a role for HR in steering a culture of innovation.

# 4.0 Technology

## 4.1 Electronic Titling and Registration Recommendation

**Recommendation:** Adopt e-titling and e-registration in the Motor Vehicle Division to minimize costs, processing lag time, and workload in order to maximize revenue.

**Rationale:**

- The OTC relies on tag agents to handle a wide range of motor vehicle related transactions. In 2018, tag agents **processed 5.2 million transactions related to registration renewals and motor vehicle titles** earning agents **\$13.2 million and \$3.4 million in fees**, respectively.
- The geographic distribution of tag agents makes it difficult to provide the appropriate oversight and support. Some **tag agents can have as many as 1,000 voided transactions per day**. Without the appropriate governance and accountability mechanisms, it's not realistic for the Agency to audit and review every transaction with their current resources.
- As such, it is suggested the Agency explore adopting e-titling and e-registration to introduce stronger quality and accountability controls. Similar to the state's website for electronic renewals, e-titling and e-registration could be adopted in parallel with tag agent services as a method for improving customer access and experience.
- Upwards of 90% of Oklahomans currently electronically file their individual income tax forms, showcasing the existing potential for the use of online services.
- There is an opportunity to expand usage of OTC's use of Fast Enterprise's FastDS-VS software for routine transactions such as titling and registration.

- Considerations should be made to amend or repeal statutes to allow OTC to pass the cost savings (Tag agent fee) on to the consumers who choose to renew their registration electronically.
- The CPD currently processes 1.86M agent reports annually. Despite mailroom and imaging efficiencies, this volume still requires a significant level of effort. The expansion of online MVD services will generate internal efficiencies by reducing processing and transactional workloads.

**Applicability:** This recommendation applies to the Motor Vehicles Divisions and Central Processing Division.

**Expected Benefits:**

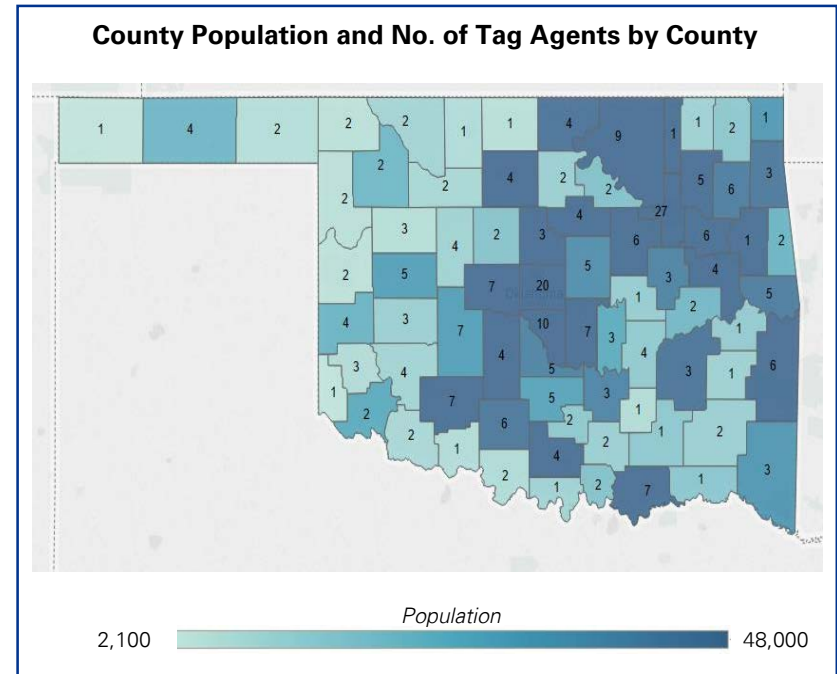
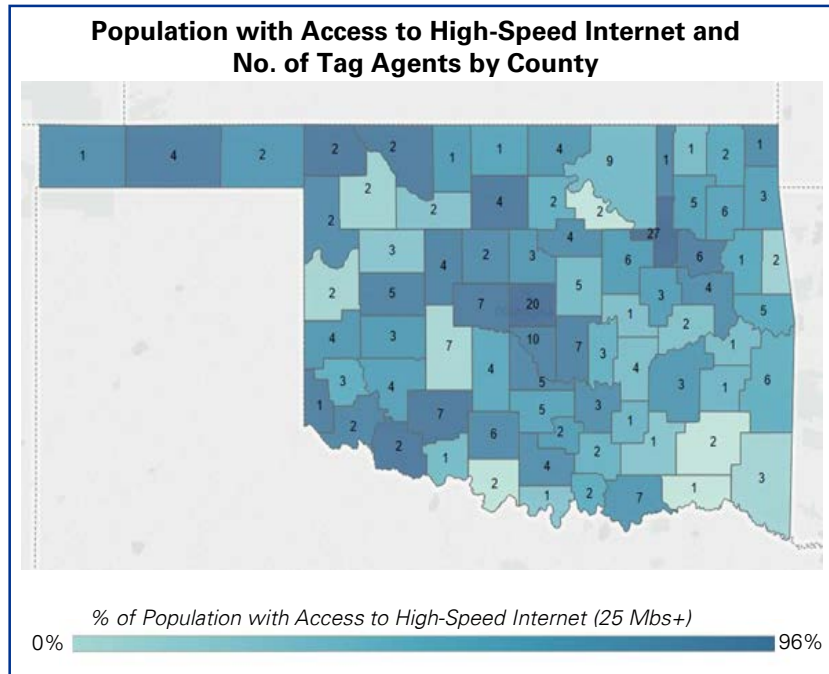
- Increased **fee revenue collection** for OTC by diverting up to \$16.6M in annual title and registration fees.
- Improved **customer service** through convenience and ease-of-access to online motor vehicle services.
- Reduced **internal workloads** related to auditing and oversight, as well as the processing of manual tag agent files.



# 4.0 Technology

## 4.1 Electronic Titling and Registration Recommendation (Cont'd)

The analysis below highlights an opportunity for e-titling and e-registration especially within the largest counties. These areas have between 80% to 90% access to high-speed internet. The largest counties also have the highest number of tag agents.



Highest Population Counties	Population	High-speed Internet Coverage	Tag Agents
Oklahoma County	787,958	94.5%	20
Tulsa County	646,266	95.8%	17
Cleveland County	279,741	81.0%	20

Lowest Population Counties	Population	High-speed Internet Coverage	Tag Agents
Pawnee County	16,472	0%	2
Choctaw County	14,863	0%	1
Pushmataha County	11,173	0%	2

# 4.0 Technology

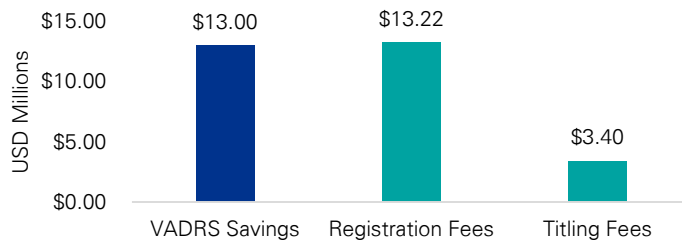
## 4.1 Electronic Titling and Registration Recommendation (Cont'd)

### State of Utah: Saving taxpayer dollars through e-tilting

**Project context:** In 2012, the Utah Tax Commission partnered with the Department of Technology Services to create a new motor vehicle system and motor vehicle enforcement system, VADRS.

**Key activities:** VADRS processes 2.5 million titles and registrations a year. Additionally VADRS allows online, real-time titling and registration, tracks and manages vehicle impounds, allows taxpayers to purchase various temporary permits, and it offers on-line money tracking for money collected via cash, checks and credit / debit cards.

**Results:** VADRS is credited with **saving the State of Utah \$13 million per year since its inception**. See the illustration below comparing this figure with the Oklahoma tag agent registration and titling fees paid in 2018.



### State of Arkansas: Saving taxpayer time through digitization

**Project context:** In 2018, Arkansas' Department of Finance and Administration (DFA) and the Information Network of Arkansas unveiled their "Skip-the-Trip" campaign. Featuring their new portal, MyDMV.Arkansas.gov, the campaign was aimed at helping taxpayers avoid trips to the DMV.

**Key activities:** The new portal provides users with the option to check their title status, transfer ownership of their vehicle, print duplicate registration, calculate sales tax, and fill out forms online to make in-person registration easier.

**Results:** The "Skip-the-Trip" campaign is less than a year old but the Arkansas DFA offered the following example of the time saved for the taxpayer as a result of this new system.



This analysis uses the number of registrations performed in 2017, an estimation on the time spent on each registration from the DFA, and an estimation at how many registrations might be performed online for this example.

# 4.0 Technology

## 4.2 Fillable Forms Recommendation

**Recommendation:** Ensure all agency forms are electronically fillable and able to be submitted online to reduce manual entry by agency staff.

**Rationale:**

- While some forms are required to be submitted first to a county assessor, all others should be PDF fillable with the option to be submitted online through OKTAP. This will help reduce the 5,000 pieces of mail that are processed by the agency on a daily basis.
- In addition to expedited processing and reduced workload, an online submission functionality will help improve accuracy and compliance through automated validation and review.

**Applicability:** This recommendation has direct implications on the Account Maintenance Division and Central Processing Division. The concept of digitization to reduce manual workload should be applied across the agency.

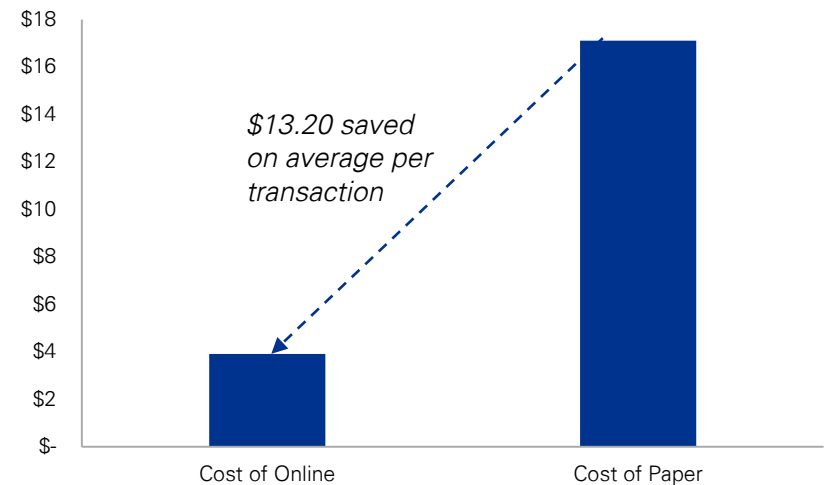
**Expected Benefits:**

- Immediate increases in efficiency will be realized by streamlining or eliminating transactional tasks.
- Uniform data can be shared across the OTC with a reduced risk of human error.
- Employee satisfaction may increase as a result of refocusing efforts on value adding tasks.

There is a clear business case for the OTC to move towards a fully digital service delivery model. The monetary and time savings created from digitization could enable the OTC to redirect its resources towards more revenue generating activities.

For example, the State of Utah estimated that it saved on average, for each transaction conducted online rather than in person, roughly \$13.2 per transaction. The State of Utah estimates that by moving just 9 of its services online, the state saved \$45 million in five years.

**State of Utah estimates it saves \$13.2 for each transaction completed online vs. in-person.**



# 5.0 Human Capital



**Explanation:** In this context, human capital management refers to the methods and structures in place to support a high functioning workforce. This includes centrally coordinated HR functions as well as the management of performance and the allocation of personnel across the agency.

## Current State and Key Considerations

- The staffing profile of The OTC has been shaped in the last eight years by the transfer of IT positions to OMES, downsized taxpayer assistance division, and increased staffing in Compliance and Legal divisions. The HR Division has supported the response to workforce changes by conducting surveys, exit interviews, and training programs in some areas.
- Historically, the HR Division was not tasked with active hiring responsibilities nor has it conducted strategic planning for hiring based on return on investment analysis. Recently, a leadership commitment has been made to a stronger centralized HR department to provide organizational guidance on staffing, onboarding, training, employee relations and other essential functions.
- While managers are committed to the efficient use of staff time, there is limited use of productivity measures and workload efficiency targets.
- OTC has strategic objectives and some performance measures at the agency level but the majority of measures identified by the project team are activity-based and quantify the volume of work (e.g. number of tasks completed). These indicators do not provide insights on the efficiency or effectiveness of the activity, or the outcomes achieved.

### Considerations

- The recent staffing fluctuations highlight the importance of ensuring attrition and hiring occurs within the right types of positions and that skills essential to the long term success of the OTC are retained or developed.
- The agency recently made a commitment to build up the HR Division to play a strong role in traditional human resources functions, an opportunity also exists to more effectively track, measure, and manage resource utilization to efficiently work towards OTC priorities.

# 5.0 Human Capital

## 5.1 Centralized Human Resource Recommendation

**Recommendation:** Develop a human resources (“HR”) strategic plan and conduct a skills gap assessment to identify training goals, promote internal capacity building, and to drive effective external recruitment.

**Rationale:**

- Historically, human resources functions in the OTC was decentralized with each division taking on a different level of responsibility. The OTC is currently investing in building out the centralized HR Division. To accompany the HR personnel additions, a clear HR strategy is required to align all current and planned initiatives to their expected benefits and strategic goals of the OTC.
- A HR strategic plan should clearly outline initiatives by functional area (e.g., recruiting, promotion, training and etc.) and articulate how they each tie to the organization’s strategic goals.
- A clear plan will help guide allocation of HR staff resources and identify areas for strengthening. Senior leadership will be tasked with ensuring that all the divisions are bought in and understand the responsibilities that will be transitioned to HR.
- As the OTC continues to evolve and respond to the legislative and economic environment, there is also an increasing need to systematically map staff capabilities and skillsets across the diverse functions of the agency.
- The skillset requirement analysis will serve as a framework to ensure Divisions have the capacity to perform work efficiently.
- Organizationally aligned training goals will drive efficiency and effectiveness in daily operations, reduced employee burnout and increased organizational capacity to adapt to evolving and complex work.

## 9 Centralized Human Resources

Over the past 8 years, attrition has been inconsistent resulting in capability gaps that may have been exacerbated by decentralized HR functions.

Division	FY10	FY18	FY21*	Change from FY10 to FY18	Change from FY18 to FY21
Taxpayer Assistance	84	57	66	-32.1%	15.8%
Account Maintenance	71	67	72	-5.6%	7.5%
Ad Valorem	33	34	33	3.0%	-2.9%
Central Processing	56	38	46	-32.1%	21.1%
Compliance	246	265	290	7.7%	9.4%
Motor Vehicle	89	86	90	-3.4%	4.7%
All Divisions	805	721	784	-10.4%	8.7%

\*Projection

**Applicability:** This recommendation applies to the Management group and Human Resource Division with personnel implications across the agency.

**Expected Benefits:**

- Greater alignment of HR activities to the overarching strategic plan of the organization.
- Releasing divisional management availability to focus on core activities instead of HR-related matters.
- Staff assignments are made according to required skills – putting the right people in the right positions, which not only increases efficiencies, but also benefits employees in their career development and limits turnover and avoids associated costs.

# 5.0 Human Capital

## 5.1 Centralized Human Resource Recommendation (Cont'd)

### 9 Centralized Human Resources

Given the OTC’s growing HR group, it is critical for this group to be focused and targeted without spreading itself too thin. As such, it is suggested HR collaborate with OTC leadership to identify and prioritize personnel initiatives that could have the most immediate impact on the organization.



While OTC has a strategic plan for 2021-2025, there is an opportunity to strengthen the strategic goals to be more organizational focused and tangible instead of being activity driven (e.g., decrease processing time).

Several guiding questions should be considered in developing a strategic HR plan:

- What responsibilities can be feasibly shifted to HR instead of being delivered by each division in the short-, medium- and long-term? How does the resourcing plan for HR reflect this transition?
- What are the key priorities of the organization and how does HR play a role in achieving those priorities? What HR initiatives should be prioritized? What aspects of the culture in the organization need to change? What initiatives should be considered to drive this change?
- Does the organization have a clear view of the skill and workforce gaps by division? What training and upskilling programs need to be created to bridge the gap in the short-, medium- and long-term?
- What are the drivers for attracting and retaining quality talent in this Oklahoma job market and what opportunities exist to address attrition rates? Are compensation bands consistent with the market?
- How is the organization preparing itself for a new workforce (i.e. millennials)?
- What types of feedback mechanisms currently exist for staff and leadership? Are there opportunities to enhance feedback mechanism?
- What does success look like for the HR division?

\*Refer to the following recommendation regarding performance management.

# 5.0 Human Capital

## 5.1 Centralized Human Resource Recommendation (Cont'd)

### 9 Centralized Human Resources

Interviews suggested a number of issues pertaining to the HR-related areas shown in the table below. Only initial list of issues were identified. It is encouraged HR build on this work to help inform its priority areas and strategic plan.

Select HR Areas	Issues	Mitigation
<b>Recruiting</b>	<ul style="list-style-type: none"> <li>— Recruitment of classified candidates is managed by OMES, providing limited candidate screening involvement to OTC.</li> <li>— External talent does not always meet job expectations or requirements.</li> </ul>	<ul style="list-style-type: none"> <li>— Establish a internship program to build capabilities.</li> <li>— Identify and coach quality candidates through external selection process.</li> <li>— Work with OMES to negotiate greater involvement in screening process.</li> </ul>
<b>Compensation</b>	<ul style="list-style-type: none"> <li>— Compensation discrepancies across a number of positions.</li> <li>— Candidates are typically assigned to the lowest end of their salary band which may contribute to turnover and dissatisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>— Conduct compensation benchmark study to establish the appropriate salary ranges.</li> <li>— Align compensation offers based on experience, ROI and alignment to OTC's strategic direction.</li> </ul>
<b>Training</b>	<ul style="list-style-type: none"> <li>— Lack of management and leadership training.</li> <li>— 86% of engagement survey respondents indicated they would pursue additional/certifications training if offered.</li> <li>— Limited selection of training programs for staff.</li> <li>— Lack of visibility into the skills gap in the organization.</li> </ul>	<ul style="list-style-type: none"> <li>— Establish leadership program for capable employees.</li> <li>— Establish a 360° feedback system for managers and leadership for staff to provide feedback anonymously.</li> <li>— Conduct skills-gap assessment to help focus training efforts.</li> </ul>
<b>Discipline</b>	<ul style="list-style-type: none"> <li>— Inconsistent coordination of disciplinary procedures.</li> </ul>	<ul style="list-style-type: none"> <li>— Establish a early intervention and disciplinary framework.</li> </ul>
<b>Workforce Mix</b>	<ul style="list-style-type: none"> <li>— Limited centralized workforce plan resulting in uncertain efficiency of current workforce mix.</li> <li>— Inconsistent mechanisms to approve and manage promotions.</li> </ul>	<ul style="list-style-type: none"> <li>— Develop staffing plan that translates the organization's value drivers into priority hires based on ROI.</li> <li>— Establish hiring plan by division across all levels of the organization.</li> </ul>
<b>Culture</b>	<ul style="list-style-type: none"> <li>— Feelings of uncertain impact of employee engagement feedback and suggestions.</li> </ul>	<ul style="list-style-type: none"> <li>— Clear action plans and communications resulting from staff feedback and engagement survey results.</li> </ul>

# 5.0 Human Capital

## 5.2 Performance Management Recommendation

## 10 Performance Management

**Recommendation:** Implement a performance framework to continually improve effectiveness, efficiency, productivity and to increase accountability at the organizational, team and individual levels.

**Rationale:**

- The OTC has a set of strategic objectives and several performance measures at the agency level (e.g., decrease number of non-compliant businesses and income taxpayers). The performance measures offered in the Strategic Plan do not provide an accountability framework to empower leadership.
- The majority of measures identified by the project team are activity-based and quantify the volume of work (e.g. number of tasks completed) but do not provide insights on the efficiency, effectiveness of the activity, or the outcomes achieved.
- The organization will benefit from a set of cascading performance goals that drill down from agency-level down to the division and individual level.
- It is suggested that the agency create a performance management framework, key performance indicators and reporting measures for the organization which have a direct link to the strategic plan.

**Applicability:** This recommendation applies to all divisions but will need to be managed by the leadership team and Human Resource.

**Expected Benefits:**

- Effective tool to measure, monitor, and manage performance against organizational priorities and ensure all levels of the organization are strategically and operationally aligned.
- Discipline and accountability for results by using scorecards, goals and objectives and regular cadence of scorecard reviews with all leaders across the business. This will enable cross-division coordination and sharing of best practices.

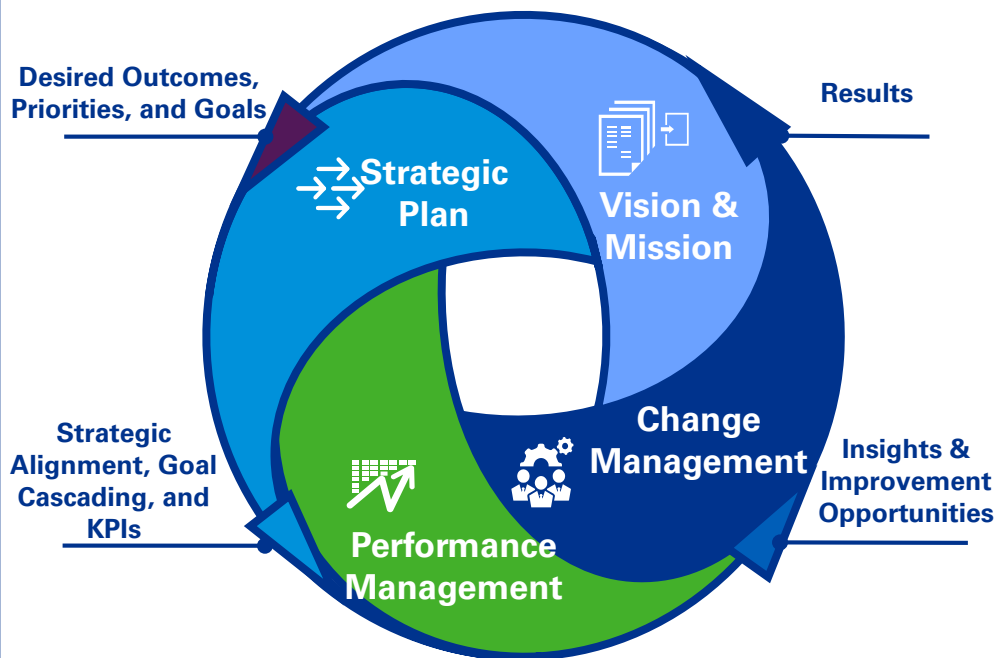


# 5.0 Human Capital

## 5.2 Performance Management Recommendation (Cont'd)

### 10 Performance Management

**Key Elements of a Performance Management Framework**

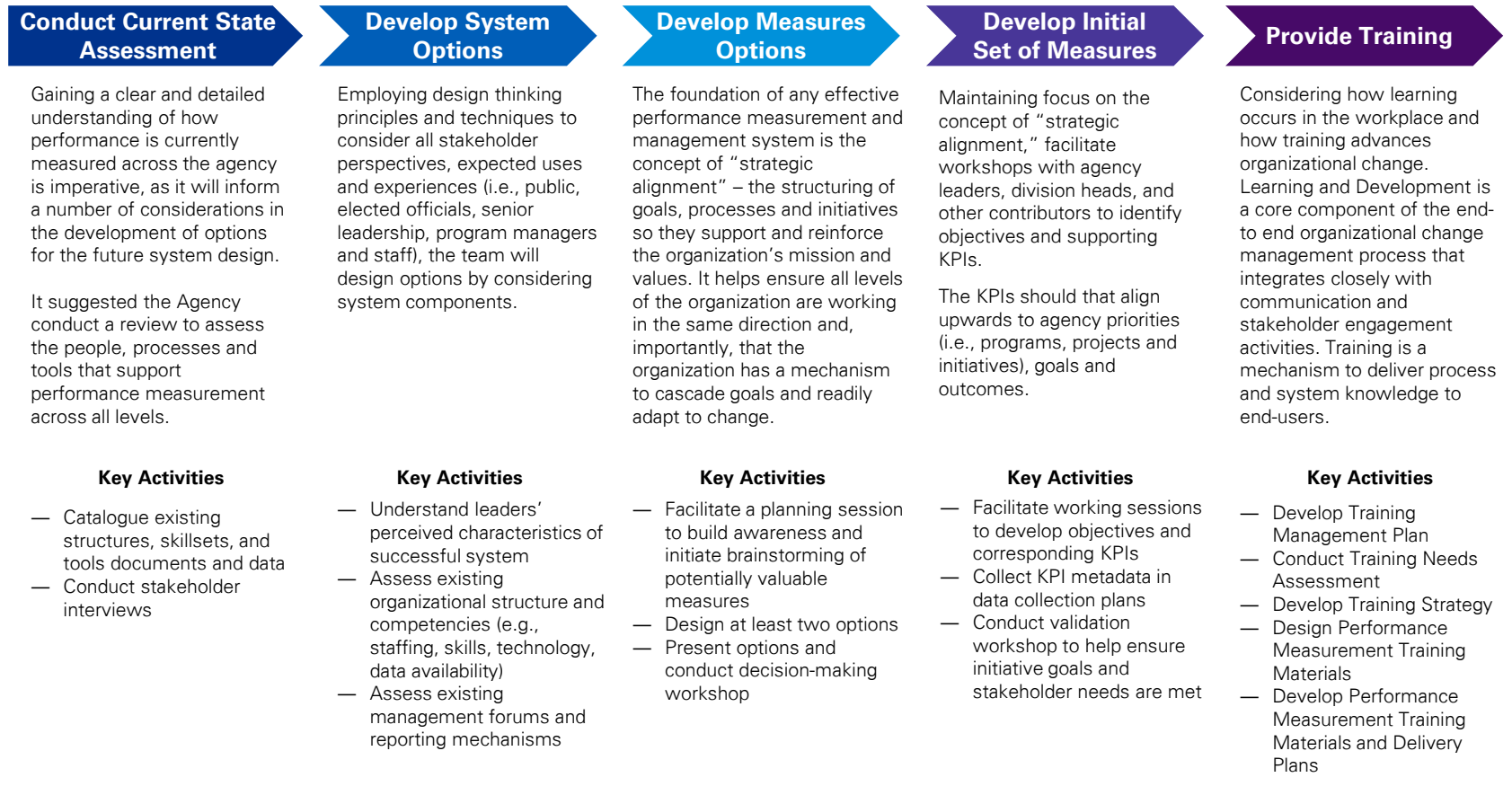


- The framework depicted on the left defines the dimensions that should be considered in establishing an effective performance management framework
- There is not a one size fits all approach to performance management. Every organization is different and this must be taken into consideration when establishing a framework that is fit for its purpose
- To complement the framework, OTC should consider a number of questions across the areas of policy, strategy, operations, and finance to help build an understanding of the existing performance framework, building upon the findings and recommendations contained within this report.
- Information can then be gathered against each of the framework elements. Once gathered, the evidence can be used to help plot the “as is” on a maturity framework
- The desired state can then be plotted and consideration given to the activities needed to develop and implement an integrated performance management framework
- The use of targets and goals can then also be established as objectives to strive towards that are realistic, practical, achievable, measurable and monitored.

# 5.0 Human Capital

## 5.2 Performance Management Recommendation (Cont'd)

Key steps in establishing a performance management system.



# 5.0 Human Capital

## 5.3 Resource Management Recommendation

## 11 Resource Management

**Recommendation:** Develop and implement a formalized resource management framework through;

1. Cross-training and pooling resources;
2. Aligning tasks to skillset; and
3. Benchmarking productivity.

**Rationale:**

- There are three opportunity areas in this recommendation. While the OTC carries out some of the activities noted in this section, there is an opportunity to formalize a resource management framework to help the organization unlock capacity and utility of its resources.
- **Cross-training and pooling staff:** OTC experiences fluctuations in workload, driven by the seasonal nature of tax filings, especially in the taxpayer assistance and account maintenance divisions. For example, in 2018, 42% of all taxpayer inquiries for the Taxpayer Assistance Division occurred between February and April. Divisions subject to seasonal demand trends should closely evaluate opportunities to cross-train and loan out staff to other divisions during low demand periods. Loaning staff between two divisions could alleviate demand and overtime costs in peak periods.
- **Aligning tasks to skillset:** Some divisions informally assign more complex tasks to more qualified or experienced staff (e.g., the Compliance Audit team assigns complex cases to its Audit III staff who have CPAs). In other cases, however, tasks are assigned on a “first in – first out” approach. It is suggested that divisions formalize a more structured process to allocated tasks based on complexity of effort to resources with the appropriate skills.

- **Benchmarking productivity:** OTC is a process-driven and transactional organization, creating the potential for significant efficiency gains from benchmarking productivity at the staff level. For example, the taxpayer assistance division could benefit from measuring average resolution time by call type for each staff member. Using this productivity data, management can set productivity targets, measure progress and, in this case, improve customer experience. Measuring productivity is a strong tool to give management visibility into staff who may benefit from additional training or upskilling, identify and eliminating resource / process bottlenecks and applying best practices used by high performing staff.

**Applicability:** This recommendation applies to all divisions.

**Expected Benefits:**

- OTC has a seasoned workforce with diverse experience allowing staff to perform effectively in a wide variety of roles.
- Tasks in peak demand can be addressed proactively and backlogs can be eliminated.
- Hiring needs can be more accurately assessed based on an effectively utilized workforce.
- Reduce hiring needs through a cross-functional workforce.

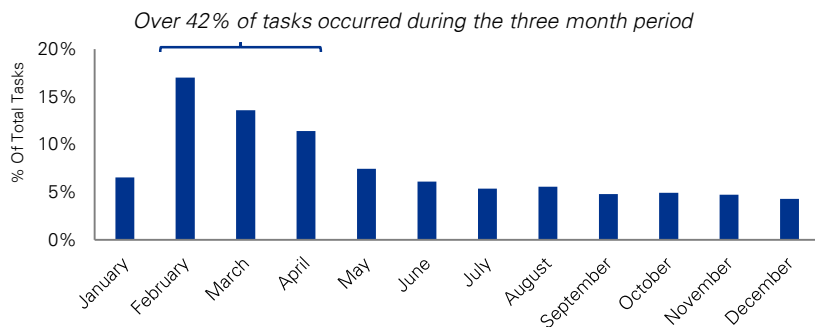
# 5.0 Human Capital

## 5.3 Resource Management Recommendation (Cont'd)

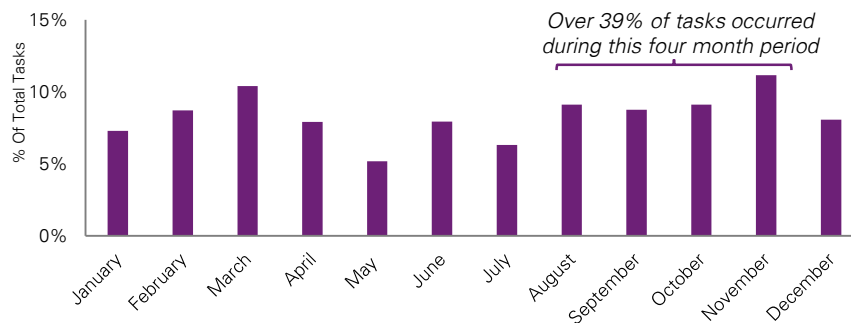
## 11 Resource Management

In analysis of tasks completed on a monthly basis by select divisions, there are clear demand spikes through out the year especially for the Taxpayer Assistance and Central Processing division. Taxpayer Assistance is a notable example where three months represent over 40% of demand while the remaining months hover around the 5% mark. This highlights an opportunity for increased resource sharing among divisions who experience prolonged downtime.

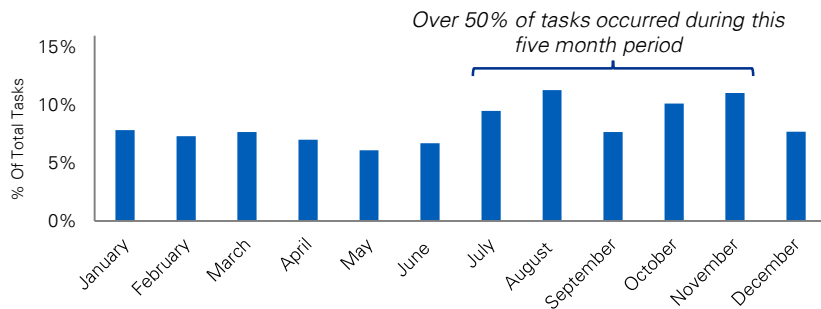
**Taxpayer Assistance - % of Total Tasks Completed by Month (FY2018)**



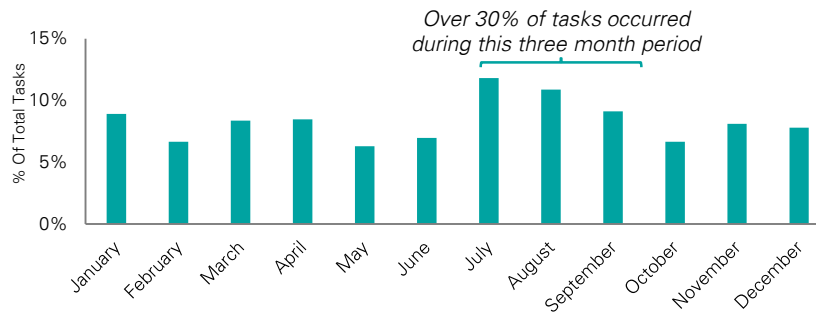
**Compliance - % of Total Tasks Completed by Month (FY2018)**



**Account Maintenance - % of Total Tasks Completed by Month (FY2018)**



**Central Process Unit - % of Total Tasks Completed by Month (FY2018)**



\*This analysis uses the number of tasks completed by month as a proxy for workload demand. Time spent on each task is not collected but is suggested to help refine this analysis.



# Implementation Plan

# Implementation Plan

### Overview of Implementation Roadmap

An implementation plan is a roadmap of activities, timelines, decisions and resources necessary to move from the current state of service delivery to the future state. An implementation plan breaks each recommendation into identifiable steps, assigns each step to one or more people and suggests when each step will be completed.

Implementing the opportunities identified in the previous pages of the report is a complex initiative that requires thoughtful and precise planning and strong project oversight. To support this process, OTC should take a stepwise approach to implementation. Specifically, there are three key areas that OTC should begin to address in order to enable additional opportunities and initiatives; these areas are:

- Tax gap study;
- Data-led audit and collections; and
- Performance and resource management.

### Structure of the Implementation Roadmap

The implementation roadmap is accompanied by a detailed “tear sheet” for each recommendation outlined in the roadmap. Each tear sheet provides an explanation of the activities, risks, impact, ease of implementation and other considerations. With careful assessment of these factors and the organization’s current capabilities, the sequence of recommendations reflects the appropriate course action that OTC should take in implementing the recommendations.

# Implementation Plan

Implementing the proposed recommendations requires thoughtful and precise planning and strong project oversight, particularly with regard to the number of interdependencies involved with such changes. Below are principles for effective implementation planning.

## Elements of a Successful Implementation

**Flexibility** – By breaking a long-term process into shorter time periods (e.g., steps or “plateaus”), the OTC can change course in response to a change in the environment (e.g., legislative changes, a change in senior leadership, funding changes, adequacy standards, etc.).

**Logical, Stepwise Change** – The change process is not easy. It is apparent through the current project that the OTC has had a great deal of change in recent years. Although members seek to be open to further change, an incremental approach will help reduce the change of “change fatigue.”

**Reduction of Risks** – By boxing in the implementation into smaller sub-projects, the OTC will be able to maintain focus on tasks at hand which allows for tighter risk control and management. Further, by constantly building on previous success, risk is hopefully minimized throughout the project, organizational capacity and agility built and buy-in earned.

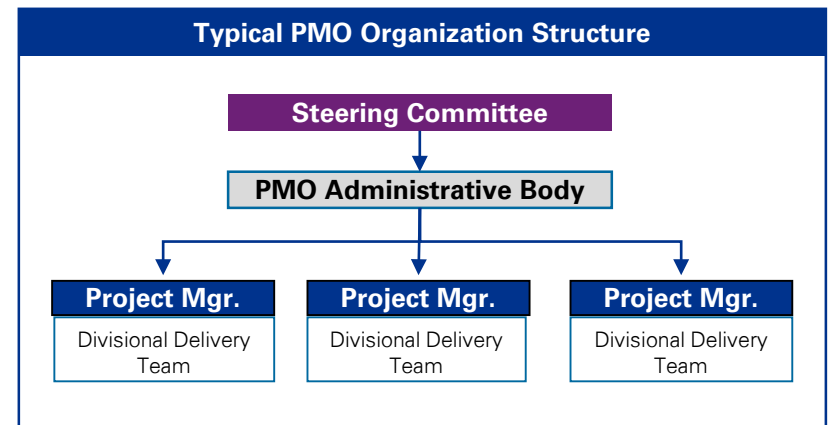
**Maintain Progress** – By emphasizing incremental steps, OTC will be able to focus on the immediate time horizons. This aids in keeping members and leadership excited about the opportunity, and focused on the tasks at hand.

**Obtain Quick Wins** – By focusing on shorter time horizons, the OTC will be able to create many small quick wins that can be used as the foundation for the next quick win in an iterative fashion.

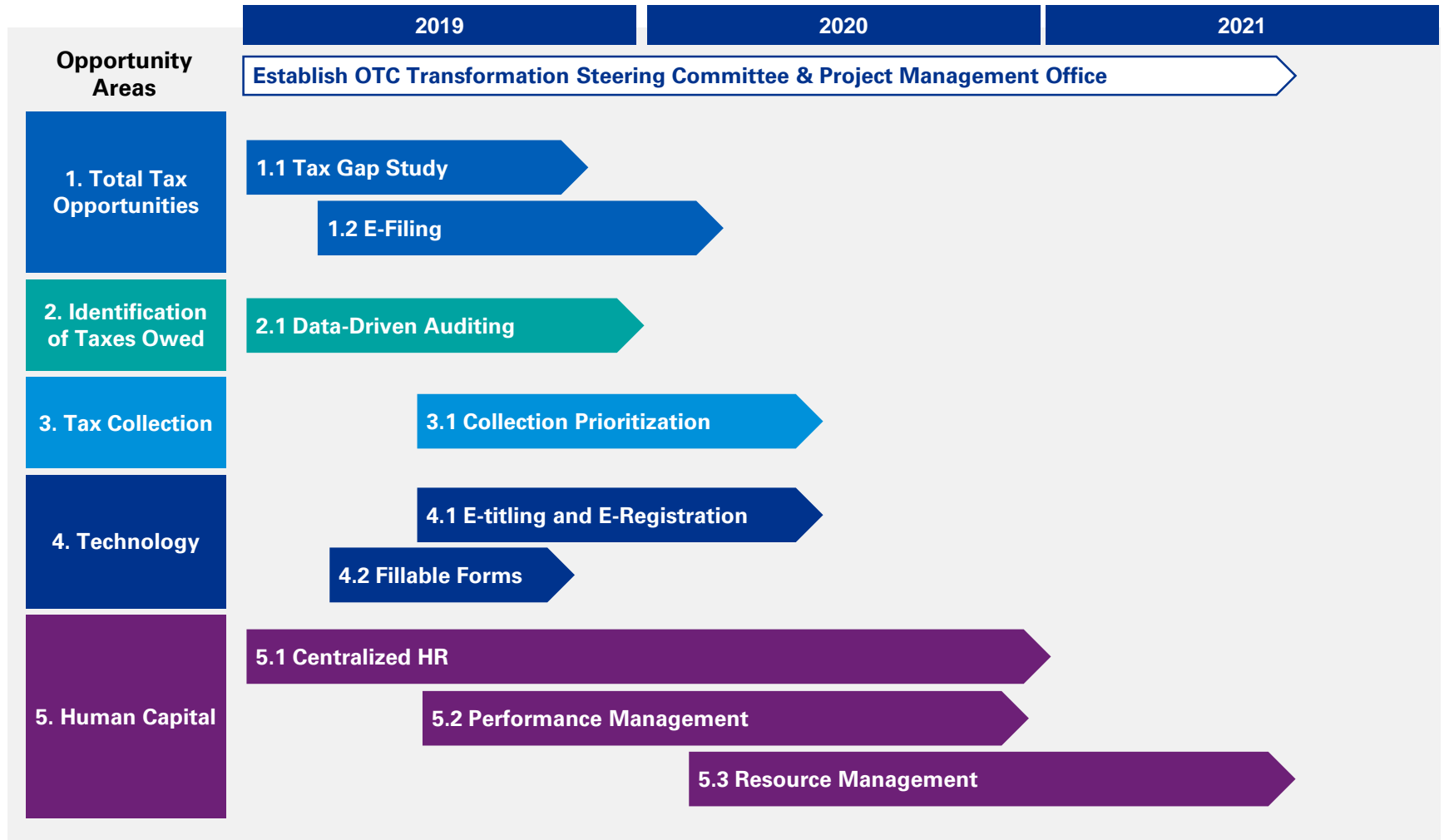
## Project Management Office (PMO)

PMO’s are typically established to focus solely on project delivery. KPMG has seen success with this model as it;

- Ensures delivery consistency and standardization in reporting, tracking and project management
- Reduces inter-departmental resource constraints
- Allows for near real-time monitoring of project status
- Can significantly improve project success rate if PMO is designed well



# Implementation Roadmap







# 1.1 Total Tax Opportunities – Tax Gap Study

Project Description, Key Activities, Outcomes and Benefits	Impact
<p>Conduct a tax gap study to identify the strongest areas for improved collections through operational or legislative changes.</p> <p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>— Create working group to oversee and deliver the initiative.</li> <li>— Research tax gap methodologies from other tax agencies.</li> <li>— Confirm and modify tax gap study methodology for OTC context.</li> <li>— Scope data requirements, conduct analysis and develop tax gap study.</li> <li>— Develop operational and legislative strategy based on tax gap study findings.</li> </ul> <p><b>Outcomes and Benefits</b></p> <ul style="list-style-type: none"> <li>— Deeper understanding of the State’s lost tax revenue.</li> <li>— Ability to benchmark performance relative to comparable states.</li> <li>— Insight into where to direct collection and legislative efforts.</li> </ul>	<p>— Medium to high impact when considering the potential increase in tax revenue.</p> <hr/> <p><b>Implementation</b></p> <ul style="list-style-type: none"> <li>— Conducting a tax gap study will be moderately labor intensive in the short term but will be guided by the abundance of industry examples.</li> </ul>



<p><b>Major Deliverables</b></p> <ul style="list-style-type: none"> <li>— Working group and steering committee governance structure</li> <li>— Tax gap study</li> <li>— Gap reduction action plan</li> </ul>	<p><b>Applicable Teams</b></p> <ul style="list-style-type: none"> <li>— OTC Leadership</li> <li>— Tax Policy</li> </ul>	<p><b>Resources</b></p> <ul style="list-style-type: none"> <li>— 3-5 working group members</li> <li>— 1 project manager</li> <li>— 1-2 analysts</li> </ul>
<p><b>Project Risks</b></p> <ul style="list-style-type: none"> <li>— Lack of internal capabilities to perform analyses and develop study</li> <li>— Availability of resources</li> </ul>	<p><b>Consequences of not executing</b></p> <ul style="list-style-type: none"> <li>— Unrealized tax revenue and potential mis-prioritization of tax collection efforts</li> </ul>	<p><b>Duration</b></p> <ul style="list-style-type: none"> <li>— 6-8 months</li> </ul>

# 1.2 Total Tax Opportunities - E-Filing

Project Description, Key Activities, Outcomes and Benefits	Impact
<p>Mandate E-filing for corporate income tax returns.</p> <p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>— Confirm direction, goals, and key stakeholders of initiative.</li> <li>— Identify Oklahoma state statues that require amending.</li> <li>— Confirm functions, roles and divisions that may be impacted along with other resource requirements (e.g., IT infrastructure costs, education / outreach efforts, internal capabilities, taxpayer experience, etc.).</li> <li>— Develop and execute roll-out plan of new mandate (e.g., taxpayer comms. plan).</li> </ul> <p><b>Outcomes and Benefits</b></p> <ul style="list-style-type: none"> <li>— Release staff capacity to focus on value-add activities.</li> <li>— Increase total collections from corporations.</li> </ul>	 <ul style="list-style-type: none"> <li>— Low to Medium impact when considering potential for decreased manual processing and increased compliance</li> </ul> <hr/> <p><b>Implementation</b></p>  <ul style="list-style-type: none"> <li>— Medium effort for implementation considering e-filing option already exists and efforts will be mostly focused on legislative changes</li> </ul>

<p><b>Major Deliverables</b></p> <ul style="list-style-type: none"> <li>— Cost-benefit summary</li> <li>— Taxpayer communication plan</li> <li>— Amended legislation (if needed)</li> <li>— Roll-out plan</li> </ul>	<p><b>Applicable Teams</b></p> <ul style="list-style-type: none"> <li>— OTC Management</li> <li>— Tax Policy Division</li> <li>— IT Group</li> </ul>	<p><b>Resources</b></p> <ul style="list-style-type: none"> <li>— Leadership steering committee</li> <li>— 1 part time project manager</li> <li>— 1-2 part time support staff</li> </ul>
<p><b>Project Risks</b></p> <ul style="list-style-type: none"> <li>— Difficulty for some corporations in adapting to new requirements</li> <li>— Lack of staff availability internally to deliver initiative</li> </ul>	<p><b>Consequences of not executing</b></p> <ul style="list-style-type: none"> <li>— Potential lost revenue from manual filings</li> <li>— Continued inefficient use of resources and sub-optimal customer experience</li> </ul>	<p><b>Duration</b></p> <ul style="list-style-type: none"> <li>— 6-12 months</li> </ul>



# 2.1 Identification of Taxes Owed – Data-Driven Audit

Project Description, Key Activities, Outcomes and Benefits	Impact 
<p>Enhance audit lead generation to be more ROI-focused by formalizing and refining selection criteria and prioritization.</p> <p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>— Collect data on all historical audits and collections.</li> <li>— Identify common elements of successful audits (e.g., industry, location, size, etc.) and other elements such as effort required to perform audit, complexity, actual ROI and etc.</li> <li>— Use historical data to develop statistical model (e.g., logistic regression, neural networks, forest model, etc. ) that predicts likelihood of a successful audit and validate through statistical sampling.</li> <li>— Implement prediction model by creating a scoring and prioritization framework, resource assignment framework, robust data tracking processes and protocols and roles and responsibilities.</li> </ul> <p><b>Outcomes and Benefits</b></p> <ul style="list-style-type: none"> <li>— Better prediction and prioritization of successful leads.</li> <li>— Achieve higher ROI on audit and collections.</li> </ul>	<ul style="list-style-type: none"> <li>— High impact as the state could see a net gain in total revenue collected from more effective audits.</li> </ul> <hr/> <p><b>Implementation</b> </p> <ul style="list-style-type: none"> <li>— Medium effort given advanced data analysis required in building a robust lead selection and prioritization model.</li> </ul>

Major Deliverables	Applicable Teams	Resources
<ul style="list-style-type: none"> <li>— Framework for identifying successful leads</li> <li>— Statistically-sound prediction model</li> <li>— Audit prioritization guidance</li> </ul>	<ul style="list-style-type: none"> <li>— OTC Management</li> <li>— Compliance Division</li> </ul>	<ul style="list-style-type: none"> <li>— 1 staff with statistics background</li> <li>— 1-2 working group members (part time)</li> <li>— 1 project manager</li> </ul>

Project Risks	Consequences of not executing	Duration
<ul style="list-style-type: none"> <li>— Limited availability of staff with advanced statistical and analytics skills</li> <li>— Insufficient data or poor data quality</li> </ul>	<ul style="list-style-type: none"> <li>— Continued inefficient use of resources and sub-optimal identification of leads</li> </ul>	<ul style="list-style-type: none"> <li>— 12 months</li> </ul>

# 3.1 Tax Collection – Collections Prioritization

<b>Project Description, Key Activities, Outcomes and Benefits</b>		<b>Impact</b> 
<p>Strategically prioritize collections activities to achieve higher ROI on collection efforts.</p> <p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>— Perform activity analysis of all collections teams; identify activities that improve collection conversion.</li> <li>— Use historical data to develop predictive models that quantify likelihood of a successful collect effort.</li> <li>— Develop prioritization framework based on findings of predictive model and operationalize framework.</li> <li>— Build data tracking and productivity tools that measures effectiveness and quality of staff.</li> <li>— Work with state agencies who have valuable data to assist with identifying non-compliant businesses.</li> <li>— Create informational databases that collate business information to assist field agents.</li> <li>— Begin shifting field agents in-house having them focus on desktop research and outreach to the extent possible.</li> </ul> <p><b>Outcomes and Benefits</b></p> <ul style="list-style-type: none"> <li>— Better prediction and prioritization of collections.</li> <li>— Achieve higher ROI on audit and collections.</li> </ul>		<ul style="list-style-type: none"> <li>— High impact as the state could see a net gain in total revenue collected from more effective audits.</li> </ul> <hr/> <p><b>Implementation</b> </p> <ul style="list-style-type: none"> <li>— Medium effort given advanced data analysis required in building a robust collection prioritization model.</li> </ul>
<b>Major Deliverables</b> <ul style="list-style-type: none"> <li>— Collection selection framework</li> <li>— Workload assignment framework</li> <li>— Agent dashboards</li> <li>— Statistically-sound prediction model</li> </ul>	<b>Applicable Teams</b> <ul style="list-style-type: none"> <li>— OTC Management</li> <li>— Compliance Division</li> </ul>	<b>Resources</b> <ul style="list-style-type: none"> <li>— 1-2 working group members (part time)</li> <li>— 1 staff with statistics background</li> <li>— 1 project manager</li> <li>— 1 analyst</li> </ul>
<b>Project Risks</b> <ul style="list-style-type: none"> <li>— Limited availability of staff with advanced statistical and analytics skills</li> <li>— Insufficient data or poor data quality</li> </ul>	<b>Consequences of not executing</b> <ul style="list-style-type: none"> <li>— Continued inefficient use of resources and sub-optimal collection pursuits</li> <li>— Limited visibility of non-compliant businesses</li> </ul>	<b>Duration</b> <ul style="list-style-type: none"> <li>— 6-12 months</li> </ul>

# 4.1 Technology – E-titling and E-registration

Project Description, Key Activities, Outcomes and Benefits	Impact
<p>Adopt e-titling and e-registration in the Motor Vehicle Division to minimize costs, speed up processing time and cut workload in order to maximize revenue.</p> <p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>— Perform audit on a sample number of tag agents to understand level of compliance.</li> <li>— Collect feedback from Oklahoma residents who use this service.</li> <li>— Conduct cost-benefit analysis of implementing new electronic options.</li> <li>— Identify Oklahoma state statues (e.g. Title 42) that require amending.</li> <li>— Develop and execute roll-out plan of new mandate (e.g., taxpayer comms. plan).</li> </ul> <p><b>Outcomes and Benefits</b></p> <ul style="list-style-type: none"> <li>— Potential cost savings from reducing fees paid to tag agents.</li> <li>— Improve customer experience and service access.</li> </ul>	<p>— Medium impact when taking into consideration the potential cost savings from diverting taxpayers online instead of using tag agents.</p> <hr/> <p><b>Implementation</b></p> <ul style="list-style-type: none"> <li>— Low to medium effort depending on the capabilities of OTC’s current online filing system and effort required to add functionality.</li> </ul>

<p><b>Major Deliverables</b></p> <ul style="list-style-type: none"> <li>— Cost-benefit analysis (business case)</li> <li>— Implementation plan</li> <li>— Taxpayer communication plan</li> </ul>	<p><b>Applicable Teams</b></p> <ul style="list-style-type: none"> <li>— OTC Management</li> <li>— Tax Policy Division</li> <li>— Motor Vehicles Division</li> <li>— IT Group</li> </ul>	<p><b>Resources</b></p> <ul style="list-style-type: none"> <li>— 1-5 working group members (part time)</li> <li>— 1 project manager</li> <li>— 1 analyst</li> </ul>
<p><b>Project Risks</b></p> <ul style="list-style-type: none"> <li>— IT system limitations</li> <li>— Public apprehension to new system</li> <li>— Confusion or lack of awareness of new system</li> </ul>	<p><b>Consequences of not executing</b></p> <ul style="list-style-type: none"> <li>— Taxpayer frustration with lack of online service options</li> <li>— Lack of accountability of tag agents</li> </ul>	<p><b>Duration</b></p> <ul style="list-style-type: none"> <li>— 6-12 months</li> </ul>

# 4.2 Technology – Fillable Forms

Project Description, Key Activities, Outcomes and Benefits	Impact
<p>Ensure all agency forms are electronically fillable and able to be submitted online to reduce manual entry by agency staff.</p> <p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>— Catalog all agency forms.</li> <li>— Estimate time required for completing forms and staff processing time.</li> <li>— Collect technical requirements for digitizing forms and enabling online submission.</li> <li>— Map the workflow requirements to receive and process forms online.</li> <li>— Develop staff training and implementation strategy.</li> </ul> <p><b>Outcomes and Benefits</b></p> <ul style="list-style-type: none"> <li>— Streamline processing time and reduce duplication of activities.</li> <li>— Enhanced customer service through online submission of all forms and documents in OKTAP.</li> </ul>	<p>— Medium impact from potential cost savings from time saved using digital forms.</p>
	<p><b>Implementation</b></p> <ul style="list-style-type: none"> <li>— Low to medium effort depending on the capabilities of OTC’s current online filing system and effort required to add functionality.</li> </ul>

<p><b>Major Deliverables</b></p> <ul style="list-style-type: none"> <li>— List of forms for electronic conversion</li> <li>— Technology requirements for online submission</li> <li>— Workflow changes and implementation plan</li> </ul>	<p><b>Applicable Teams</b></p> <ul style="list-style-type: none"> <li>— IT Group</li> <li>— Account Maintenance Division</li> <li>— Taxpayer Assistance Division</li> <li>— Central Processing Division</li> </ul>	<p><b>Resources</b></p> <ul style="list-style-type: none"> <li>— 1 project manager</li> <li>— 1 analyst</li> </ul>
<p><b>Project Risks</b></p> <ul style="list-style-type: none"> <li>— IT system limitations</li> </ul>	<p><b>Consequences of not executing</b></p> <ul style="list-style-type: none"> <li>— Continued reliance on manual processing</li> <li>— Continued customer inconvenience of paper-based forms</li> </ul>	<p><b>Duration</b></p> <ul style="list-style-type: none"> <li>— 6 months</li> </ul>

# 5.1 Human Capital – Centralized Human Resource

Project Description, Key Activities, Outcomes and Benefits	Impact
<p>Develop a human resources strategic plan and conduct a skills gap assessment to inform workforce planning and decision-making.</p> <p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>— Define core value proposition of HR in the OTC, establish clear HR goals tied to the broader strategic plan of the organization and outline key responsibilities of HR group.</li> <li>— Develop implementation plan for all goals with supporting initiatives. Ensure projects are prioritized based on organizational need.</li> <li>— Assign roles and responsibilities to division heads, management and HR staff who will be support transition towards centralized HR model.</li> <li>— Conduct skill gap analysis of each division and develop overall organizational workforce plan.</li> </ul> <p><b>Outcomes and Benefits</b></p> <ul style="list-style-type: none"> <li>— Enable the OTC to achieve its strategic goals through a robust HR group.</li> </ul>	<ul style="list-style-type: none"> <li>— High impact from improved employee satisfaction and stronger internal capabilities.</li> </ul> <hr/> <p><b>Implementation</b></p> <ul style="list-style-type: none"> <li>— High effort given the current size of the OTC’s HR team and the fact that historically divisions managed HR-issues.</li> </ul>

<p><b>Major Deliverables</b></p> <ul style="list-style-type: none"> <li>— HR vision, goals and initiatives</li> <li>— HR strategic plan</li> <li>— Implementation plan</li> <li>— Skill gap assessment &amp; workforce plan</li> </ul>	<p><b>Applicable Teams</b></p> <ul style="list-style-type: none"> <li>— OTC leadership</li> <li>— HR</li> </ul>	<p><b>Resources</b></p> <ul style="list-style-type: none"> <li>— Leadership steering committee</li> <li>— Working group (part time)</li> <li>— 1-2 project managers</li> <li>— 1-3 analysts</li> </ul>
<p><b>Project Risks</b></p> <ul style="list-style-type: none"> <li>— Lack of authority given to HR and organizational buy-in (i.e. business as usual)</li> <li>— Limited resources to deliver transformation</li> </ul>	<p><b>Consequences of not executing</b></p> <ul style="list-style-type: none"> <li>— HR issues are decentralized and impact employee satisfaction, retention and overall organizational performance</li> </ul>	<p><b>Duration</b></p> <ul style="list-style-type: none"> <li>— 1-2 years</li> </ul>

# 5.2 Human Capital – Performance Management System



Project Description, Key Activities, Outcomes and Benefits	Impact
<p>Implement a performance framework to continually improve effectiveness, efficiency, productivity and to increase accountability at the organizational, team and individual levels.</p> <p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>— Conduct a current state assessment by documenting the current structures, measures, and tools, used to monitor and manage employee and organizational performance.</li> <li>— Design a series of measures to track the contributions of all levels in fulfill OTC’s mission, while reinforcing its values and upholding its responsibilities.</li> <li>— Develop and facilitate workshops with agency leaders to support key performance indicators (KPIs) that align to OTC priorities, targets and outcomes.</li> <li>— Develop and provide training and training materials to create organizational change.</li> </ul> <p><b>Outcomes and Benefits</b></p> <ul style="list-style-type: none"> <li>— Enable the OTC to better achieve its goal through the use of a well trained and efficient workforce.</li> </ul>	<p>— High impact from skillset improvement on an organizational level.</p>

Implementation
<ul style="list-style-type: none"> <li>— Medium to high effort given the number of agency leaders who will need to contribute time and effort to the project.</li> </ul>

<p><b>Major Deliverables</b></p> <ul style="list-style-type: none"> <li>— Current state assessment and benchmarks</li> <li>— Measures and KPIs usable to measure success</li> <li>— Training strategy</li> </ul>	<p><b>Applicable Teams</b></p> <ul style="list-style-type: none"> <li>— OTC management</li> <li>— HR</li> </ul>	<p><b>Resources</b></p> <ul style="list-style-type: none"> <li>— 1-2 project managers</li> <li>— 1-3 analysts</li> <li>— 1-2 workshop leaders for each division</li> <li>— Contribution from all agency leaders</li> </ul>
<p><b>Project Risks</b></p> <ul style="list-style-type: none"> <li>— Lack of unity given the number of employees and the diversity of their responsibilities</li> <li>— Frustration from program leaders given the scale of the project</li> </ul>	<p><b>Consequences of not executing</b></p> <ul style="list-style-type: none"> <li>— Workforce and management skillsets remain stagnant or decline. OTCs ability to achieve its goal may fall behind in comparison to benchmark organizations</li> </ul>	<p><b>Duration</b></p> <ul style="list-style-type: none"> <li>— 1-2 years</li> </ul>



# 5.3 Human Capital – Resource Management

Project Description, Key Activities, Outcomes and Benefits	Impact 
<p>Develop and implement a formalized resource management framework.</p> <p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>— Perform current state assessment of tasking by division. Document and formalize tasking system that takes into consideration task complexity, task effort and staff skillset / capabilities.</li> <li>— Identify divisions that experience seasonal demand trends and identify corresponding positions that could be shared between divisions (e.g., administrative staff, staff completing lower-tasks) during periods of downtime. Develop formalized divisional staff sharing plan.</li> <li>— Upskill non-specialized staff who could backfill roles for divisions who experience workload demand spikes (e.g., taxpayer assistance). Develop formalized cross-training program.</li> <li>— Establish staff level productivity measures and track productivity through automated dashboards.</li> <li>— Link productivity to performance measures to division and organization goals.</li> </ul> <p><b>Outcomes and Benefits</b></p> <ul style="list-style-type: none"> <li>— Enable higher levels of staff productivity and efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>— High impact due to the improved staff productivity and better visibility from management into efficiency and productivity.</li> </ul>
	<p><b>Implementation</b> </p> <ul style="list-style-type: none"> <li>— Medium effort as tasking is performed informally and can be easily improved.</li> </ul>

<p><b>Major Deliverables</b></p> <ul style="list-style-type: none"> <li>— Workforce tasking framework</li> <li>— Productivity dashboards</li> <li>— Cross-training program</li> <li>— Resource sharing strategy</li> </ul>	<p><b>Applicable Teams</b></p> <ul style="list-style-type: none"> <li>— OTC management</li> <li>— All divisions</li> </ul>	<p><b>Resources</b></p> <ul style="list-style-type: none"> <li>— 1-2 project managers</li> <li>— 1-5 analysts</li> <li>— Steering group</li> <li>— Working group</li> </ul>
<p><b>Project Risks</b></p> <ul style="list-style-type: none"> <li>— Lack of organizational buy-in</li> <li>— Staff discomfort in performing new tasks or stepping into new role</li> <li>— Poor productivity data tracking systems</li> </ul>	<p><b>Consequences of not executing</b></p> <ul style="list-style-type: none"> <li>— Limited insights into staff productivity and optimal assignment to priority tasks</li> </ul>	<p><b>Duration</b></p> <ul style="list-style-type: none"> <li>— 1 year</li> </ul>



# Case Study

Wisconsin  
Department of  
Revenue

# Wisconsin Department of Revenue



## Context

The Wisconsin Department of Revenue (“WDR”) is the OTC’s counterpart in the State of Wisconsin. The Agency has undergone a significant transformation effort over the past five years to modernize its audit and collection divisions. The organization invested heavily in becoming data-driven to inform its decision-making process and resource management, while utilizing technology as much possible to automate low-level tasks.

The WDR demonstrates capabilities in-line with several key elements of the Vision 2025 of Tax Commission.

## People & Culture

**Capacity Building: Advanced training programs that close skill gaps and build internal capacity**

- The WDR has established a robust training program for new staff joining the compliance division. It includes the following components:

Initial Training	Advanced Training	Annual Training	Ongoing Training
Staff attend an initial four-week training session.	Staff are trained on advanced tax law and general systems training.	All staff receive an annual training at the main office.	Each staff member has monthly Skype meetings with performance managers and trainers.

- The WDR supplements this training program with a strong performance management system and training tools. These are deployed to track progress of new hires and intervene when progress is not following the expected trajectory.
- The WDR establishes clear performance targets for new hires, who are held on an 18 month probation and expected to perform at the levels of their peers after 12 months.

## Technology & Analytics



### Process Automation: Manual and computer processes automated by software

- WDR uses the same tax processing software package for its integrated tax system. The WDR is able to extract more value from this platform by automating tasks and collection activities, scoring and prioritizing leads using historical data and tracking staff productivity. In conjunction with the integrated tax system, the team uses Excel to conduct ad-hoc analysis and build tools such as productivity dashboards.
- Automated processes have been designed to send out requests to file for non-filers identified through real estate sales and IRS data. WDR estimates that there are over 30,000 withholding tax notices and up to 15,000 corporate income tax notices automatically distributed each year. The process also automatically forwards the case to collection if responses are not received. OTC leverages this capability for a small portion of non-filers, representing an opportunity too recreate the efficiency gains seen by WDR in expanding automated workflows within OneLink

### Data and Analytics: Predict likelihood of non-compliance, underreporting and underpayment

- The WDR's audit group effectively uses technology and data to streamline and prioritize efforts. Historically, selection of audit leads was based on experience and intuition, similar to the OTC's current practice. However, in the last few years the team focused on identifying the most promising leads that justified the effort and time investment of conducting an audit.
- Using discovery tools in the Fast Enterprises GenTax system, a wide net is cast to identify all promising leads by geographic area, tax type, industry, etc. The team begins collecting historical audit and collection data for each case to help identify highly successful audits and certain characteristics of these case (e.g., size of audit, ROI, actual taxes collected, tax type, business type, location).
- Their discovery platform scores each lead based on the attributes of a highly productive and successful audit. External data is used to help inform the scoring such as using Glassdoor.com to estimate the size of the business. Only leads that meet a certain threshold are put forward for an audit. Based on the software's scoring and prioritizing system, leads are prioritized and assigned to auditors based on their experience, certification and perceived skill level.
- The group benefited from hiring several statisticians who were critical in crafting the scoring and prioritizing system for identifying leads.
- **Results:** The WRD audit team was able to boost overall audit success rates and ROI through the process outlined above.

## Resource and Performance Management



### Performance Measurement: Clear indicators of individual, division and organizational success

- The WDR’s collections places high value and priority on tracking productivity. Collections is a critical revenue lever for the agency and state. The Collections group implemented a robust performance management system that tracks a number of productivity and quality measurements. The agency historically relied on output metrics (e.g., number of phone calls made, number of client interactions, number of cases closed and etc.). After conducting a review of sample cases, however, it was determined that the existing performance measurement structure incentivized speed while compromising quality and customer experience.
- Based on their lessons learned, the WDR implemented a new set of performance metrics that measures both quantity (e.g., how many letters did an agent issue) and quality (e.g., quality of customer interactions). The latter type of performance metric is measured independently by supervisors that systematically review and evaluate an agent’s correspondence with a taxpayer (e.g., language, grammar and etc.). A rubric is used to consistently and automatically calculate a quality score for the agent. Some of the metrics tracked by agent include:
  - Time spent making calls
  - Total productive hours (i.e. % of day available)
  - Number of times an accounted has been touched
  - Number of soft vs. action letters submitted (used to determine if agents are taking an easier route in resolving collection issues)
- By tracking these metrics, management can clearly identify highly productive staff who can benefit from handling more complex cases. It also enables management to identify staff who can benefit from intervention through training.
- One of the key enablers for this performance management system was a newly implemented time tracking system to monitor time spent on different tasks by agent.
- **Results:** The WDR has found this performance management framework an effective tool for boosting staff productivity.

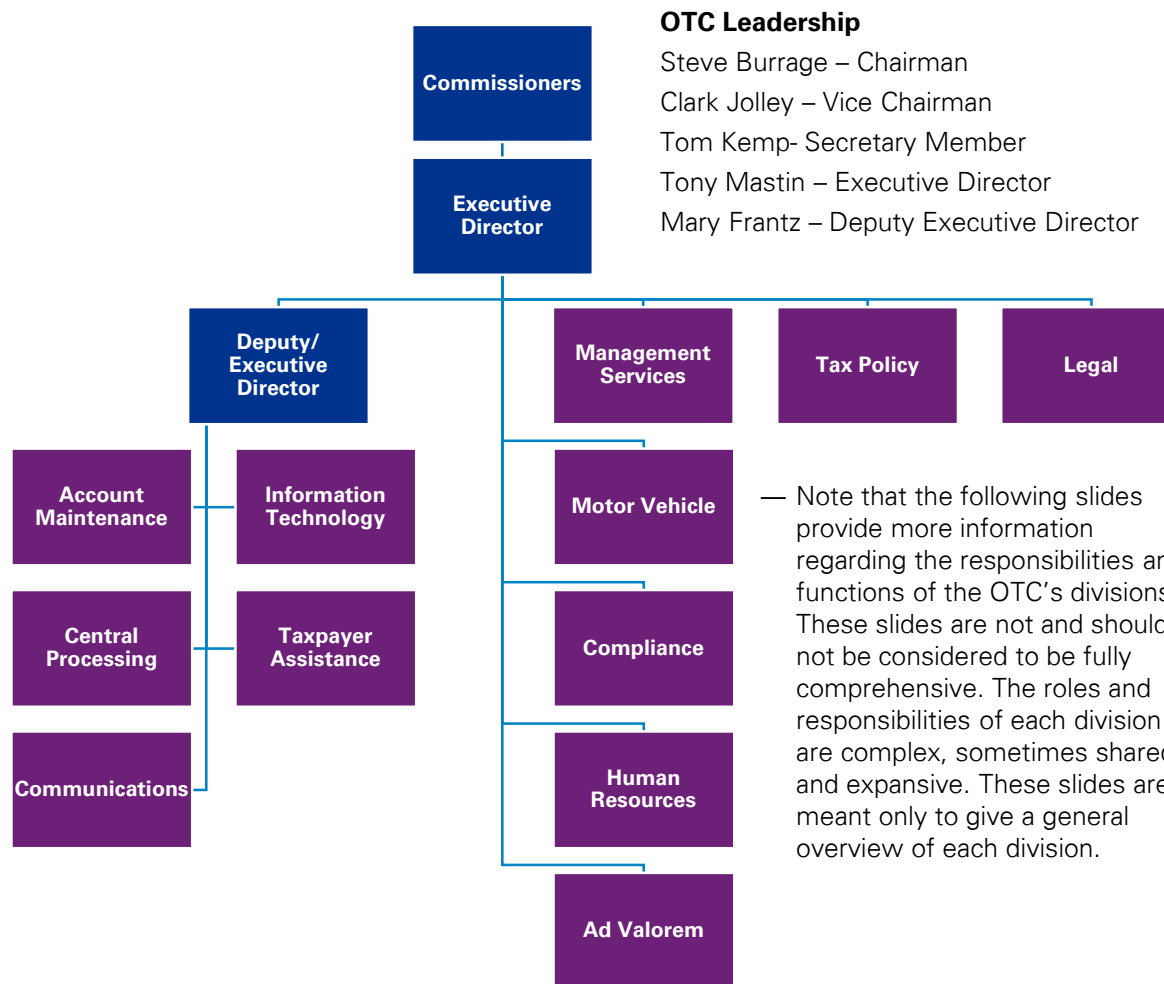


# Appendix

# Division Summaries

DIVISION	FY18 Headcount
Headquarters	17
Administration	19
Taxpayer Assistance	53
Communications	9
Account Maintenance	69
Ad Valorem	32
Central Processing	55
Tax Policy	12
Management Services	30
Human Resources	4
Information Technology	34
Legal	35
Compliance	259
Motor Vehicle	84

## OTC Organization Chart (2017)



### OTC Leadership

- Steve Burrage – Chairman
- Clark Jolley – Vice Chairman
- Tom Kemp- Secretary Member
- Tony Mastin – Executive Director
- Mary Frantz – Deputy Executive Director

— Note that the following slides provide more information regarding the responsibilities and functions of the OTC’s divisions. These slides are not and should not be considered to be fully comprehensive. The roles and responsibilities of each division are complex, sometimes shared and expansive. These slides are meant only to give a general overview of each division.

# Taxpayer Assistance and Communications

## Taxpayer Assistance:

### Functions:

#### Phone Bank Management

- The Taxpayer Assistance Division (TPA) is responsible for answering calls, emails, and web notices from “OKTAP,” which is a portal the taxpayers can use to create work orders in One-link.

#### Registration

- The TPA is responsible for processing taxpayer applications. These come in the forms of mail-ins, walk-ins and electronic applications.

#### Support Services

- Support services is a division of the TPA that sorts mail, scans documents, acts as security and performs various other services for the rest of the TPA.

#### Additional Information:

- Five people handle walk-ins at a time.
- Busy season for the TPA is from January to April.
- Missed calls are handled in a call back system.
- Important performance goals revolve around balancing efficiency and service.

## Communications:

### Functions:

#### Newsletters

- The Communications Division issues newsletters, both internally and to the tag agents, which contain important updates and other valuable information.

#### Website

- The Communications Division is responsible for updating and maintaining the OTC’s website.

#### Tracking of e-filing

- The Communications Division is responsible for tracking the use of e-filing and paper filing.

#### Form Changes

- The Communications Division is responsible for updating tax forms based on legislative changes, taxpayer feedback and other information.

#### Additional Information:

- The Communications Division conducts taxpayer interviews to assist in its role and ensure a positive taxpayer experience.
- The Communications Division tracks taxpayer questions in order to create a list of frequently asked questions.



# Account Maintenance and Ad Valorem

## Account Maintenance:

### Functions:

#### Manage Accounts Receivable

- The Account Maintenance Division (AMD) is responsible for monitoring the taxpayer payment plans and other receivables payable to the OTC. This includes receivables from cities and counties.

#### Refunds

- The AMD is responsible for the handling of refunds owed to the taxpayers on behalf of the OTC.

#### Audits

- As part of the AMD's responsibility to handle taxpayer refunds, the AMD also performs desk audits of all refunds.

#### Additional Information:

- The AMD has three primary teams, the Business Tax Account (BTA), Business Tax Credits and Refunds (BTCR) and Case Management.
- The BTA is small team that processes receivables from cities and counties.
- Additionally the BTA develops variance reports for cities, counties and vendors.
- The BTACR handles business related taxes involving approximately 60 unique tax types.

## Ad Valorem:

### Functions:

#### Valuations

- The primary role of the Ad Valorem Division is to perform valuations on public service companies such as electric, gas distribution, gas transmission, fluid pipeline, telecommunication, video service providers and water service companies.

#### Additional Information:

- Collections based on the Ad Valorem Valuations are handled by the Counties of Oklahoma.
- The Ad Valorem Division conducts over 270 valuations per year.
- Approximately half of the Ad Valorem Division's 30 employees work directly with Counties.

# Central Processing and Tax Policy

## Central Processing:

### Functions:

#### Mail Incoming

- The Central Processing Division (CPD) receives OTC mail and sorts it by P.O. box. Division staff examine and return certain items, such as checks with invalid information, to the sender.

#### Imaging

- The CPD is responsible for imaging and uploading certain documents, such as checks, sent to the OTC.

#### Data Entry

- The CPD is responsible for entering key data points from the documents received in the mail.

#### Mail and Printing

- The CPD is responsible for outgoing OTC mail as well as providing printing services for the other divisions.

#### Additional Information:

- The CPD enters data from about 2,000 checks a day.
- A process called Check 21 is used to ensure entered data is correct and accurate. This sometimes requires contacting the taxpayer.

## Tax Policy Functions:

### Functions:

#### Analysis

- The Tax Policy Division is responsible for testing tax changes, tax credit changes, exemption changes, rate changes, to estimate the effect that different legislative changes regarding taxes and tax collections would have upon the economy of Oklahoma.

#### Legislation Requests

- The Tax Policy Division is responsible for requesting legislative changes based upon the needs of the Oklahoma Tax Commission and the State of Oklahoma.

#### Additional Information:

- The Tax Policy Division provides the revenue forecasts for all state agencies and major tax types.
- 5% of the Tax Policy's estimate cannot be apportioned as it is set aside in case the state has need of it in the future.
- The Tax Policy Division uses a Micro-Sin Modeler for their analysis.

# Management Services and Human Resources

## Management Services:

### Functions:

#### Business Continuity

- The Management Services Division (MSD) services is in charge of ensuring that the OTC continues to function successfully.

#### Apportionment

- Once all collections are finalized, Management Services is in charge of apportioning the tax revenue appropriately.

#### Budget Risks and Financials

- MSD is responsible for the budget, examining the risk and handling the financials for the OTC.

#### Banking Operations

- MSD is responsible for the daily treasury deposits and OK TAP payments.

#### Payroll

- MSD is in charge of the OTC's payroll.

#### Purchasing and Procurement

- MSD is responsible for purchasing supplies, leasing, all contracts, and setting up purchase orders for the OTC.

## Human Resources:

### Functions:

#### Hiring

- The Human Resources Division is responsible for managing and helping applicants through the hiring processes for the OTC.

#### Training

- The Human Resources Division is responsible for generating and monitoring employee compliance with all OTC trainings.

#### Monitoring

- The Human Resources Division is responsible for monitoring the OTC's workforce and ensuring that attrition and hiring are balanced to avoid a surplus or lack of FTEs

### Additional Information:

- HR functions have historically been decentralized in the OTC. There is a recent commitment from leadership to centralize and strengthen HR related functions within the Human Resources Division.
- The Human Resources Division must ensure that all hiring processes are compliant with government regulations, which includes the pre-screening of applicants for certain positions.

# Legal and Information Technology

## Legal:

### Functions:

#### Risk Management

- The Legal Division monitors potential legal risks incurred by the OTC.

#### Compliance

- The Legal Division ensures that the OTC remains compliant with both state and federal legislation.

## Information and Technology:

### Functions:

#### Technical Assistance

- The IT Division is responsible for providing the other divisions with technical support to ensure the OTC continues to operate smoothly.

#### Technical Operations

- The IT Division is responsible for managing and implementing technologies, such as One Link.

# Compliance and Motor Vehicle Administration

## Compliance:

### Functions:

#### Audit

- The Compliance Division is responsible for creating leads and auditing likely sources of delinquent taxes. Note that some audit functions are performed by the collection sub-division of Compliance.

#### Collections

- The Compliance Division is responsible for ensuring that the delinquent revenues found through audits are paid to the OTC. This includes setting up pay plans, cold calls on existing and new businesses, and audits by zip code.

#### Additional Information:

- The Division has around 270 FTE's who are split between audit and collections which operate as sub-divisions.
- The collection sub-division is made up of collections services, administrative collections, and field collections. Business Compliance and Assistance Teams (BCATs) and Sweep Teams are also used in the field.
- The audit sub-division is made of three main teams Gross Production, Business Tax and Individual Audits.
- 

## Motor Vehicle Division:

### Functions:

#### Tag Agents

- The Motor Vehicle Division (MVD) is responsible for all interactions between the OTC and the Oklahoma tag agents

#### Operations and Tax collections

- Reconciles tag agent and taxpayer records with official bank statements, additionally they deliver a bi-monthly summary of transactions, titles and liens.

#### Renewal, Insurance Verification, and Liens

- Documents mailed into the OTC regarding Renewals, Insurance Verifications and Liens are received by the CPD, with processing by MVD as needed.

#### Additional Information:

- There are about 280 tag agent contracts.
- These tag agents handle renewals, titles, and registrations outside of dealerships.
- These tag agents must follow certain statutes and legislation, and their compliance is overseen by the MVD.

# Tax Gap Study Example Output

An analysis of tax gap studies conducted by six states revealed an **average uncollected gap of 11.1%**. Similarly, a 2016 IRS tax gap study showed a 83.7% net compliance rate and **16.3% net tax gap rate**.

Using the results of these benchmarks, the estimated tax gap in Oklahoma could range between \$1.2 billion and \$1.9 billion. It is critical to note that State and IRS examples show that only a portion of this gap can feasibly be collected. As shown below and in this report, the estimated recovery of the existing tax gap could be between 5% and 15%, generating potential revenues of \$61.4M to \$287M if effective measures are developed to target areas of noncompliance.

The estimates below are based on the total 2018 tax collection of \$9,837M.

Tax Gap Source	Tax Gap Percentage	Tax Gap Dollar Estimate	Oklahoma Tax Revenue Opportunity (Estimated Recovery Rate)		
			5%	10%	15%
IRS Rate	16.3%	\$1,916	\$95.8	\$191.6	\$287.4
Avg. State Rate	11.1%	\$1,228	\$61.4	\$122.8	\$184.2

Jurisdiction	Tax Year	Estimated Tax Gap
California	2005	11.0%
Idaho	1994	9.5%
Minnesota	2000	9.9%
New York	2002	13.9%
New Mexico	2013	10.1%
Minnesota	2013	12.0%
<i>State Avg.</i>		<b>11.1%</b>
<i>IRS</i>	<i>2008 - 2010</i>	<b>16.3%</b>

Gap Percentage	Total Potential Taxes Owed	Actual Collected	Tax Gap Dollar Estimate
16.3%	\$11,753	\$9,837	\$1,916
11.1%	\$11,065		\$1,228



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