The Department of Revenue
The Executive Office for Administration and Finance
Commonwealth of Massachusetts

Strategic Plan-In-Brief
2013-2015

Amy A. Pitter | Commissioner

Issued February 14, 2013
I am pleased to provide to you the 2013-2015 Strategic Plan for the Department of Revenue (DOR). This plan outlines a comprehensive set of goals and actions which will serve as a roadmap to success for the agency.

The Strategic Plan describes how DOR will support the Executive Office of Administration and Finance’s (A&F) Better Performance goal by taking a proactive approach to improve performance, effectiveness and efficiency across the agency, developing and actively measuring standards of quality for core processes, and actively working to improve the skills, processes and technologies to better support the core functions of the agency. The attached plan is an important part of DOR’s operational foundation and provides a blueprint by which its divisions can measure and report on their success.

I am proud of the work we are doing here at DOR and I am confident that you will find this strategic plan to be comprehensive, informative and useful.

Thank you,

Amy A. Pitter
Commissioner
Department of Revenue

This document was developed pursuant to Executive Order 540 which calls on state government to develop and publish strategic plans and institute performance management. As an agency within the Executive Office for Administration and Finance (A&F), the Department of Revenue 2013-2015 Strategic Plan aligns and supports the overarching goals set forth in the A&F Strategic Plan.

Please send feedback regarding this plan to:
James Reynolds
Sr. Deputy Commissioner
MA Department of Revenue
(617) 626-2144
reynoldsj@dor.state.ma.us
OVERVIEW

The Department of Revenue (DOR), an agency within A&F, is responsible for collecting the revenues required to support the business of the Commonwealth, to make a difference in the lives of children by enforcing the financial responsibilities of parenthood, and to assist Massachusetts cities and towns in sound and efficient fiscal management. In addition, DOR’s Office of Tax Policy Analysis regularly analyzes revenue collections, market conditions, and economic indicators to assist the Administration in developing fiscal policy.

ACHIEVEMENTS

During the past few years, DOR has worked hard to deliver positive results and further the priorities of the Administration. We have enhanced customer service delivery, worked more closely with our partners, introduced new ways to combat fraud, waste and abuse and effectively leveraged technology to improve operations. Our accomplishments are wide-ranging, reflecting the many facets of our agency’s mission.

- In 2012, we had another successful filing season, extending our telephone hours and responding to over 1 million direct inquiries. More taxpayers than ever are using our self-help applications and email contacts.
- Electronic filing methods accounted for 81% of total filings, up 5% from the previous year.
- DOR’s Audit Division’s efforts to use data driven techniques for case selection and to combat aggressive tax planning schemes resulted in the Division assessing in excess of $1.1 billion, while implementing new front end fraud filters that prevented over $18 million in fraudulent refunds from being issued.
- Collections as the result of settlements exceeded $400 million for cases in litigation and $120 million for cases in the Office of Appeals.
- DOR supported the Governor’s efforts to assist small business by completing

MISSION

Our core mission is to collect the revenues required to support the business of the Commonwealth, to make a difference in the lives of children by enforcing the financial responsibilities of parenthood, and to assist Massachusetts cities and towns in sound and efficient fiscal management.

VISION

Our vision is to conduct our operations in a manner that inspires public confidence in government by administering and enforcing tax, child support and municipal finance laws in ways that are innovative, customer-focused and transparent.

To do that, we will have processes that put the customer at the center of the transaction, are secure, simple to navigate, and are built on a workforce and technologies that are considered outstanding by any standard in the public or private sectors.
a detailed review of 19 regulations more than 10 years old and prepared small business impact statements as part of the Governor’s Regulation Review Project during FY 2012.

- The Agency provided formal guidance to taxpayers and practitioners by issuing 1 regulation, 14 Technical Information Releases, 7 Directives, and 8 Letter Rulings.

- Our Child Support Enforcement Division (CSE) continues to work to maximize federal incentives by improving performance in targeted areas. For the most recent 2 years, CSE reached nearly 90% of potential incentives and was awarded over $10 million in each of those years.

- The agency solicited feedback on the current dispute resolution processes, resulting in the development of a pilot that was rolled out in November 2012, to offer mediation as an alternative dispute resolution process.

- DOR conducted a series of focus group meetings with tax practitioners including the “big 4” accounting firms. As a result of feedback DOR developed a new user friendly audit web page, breaking down the audit process into easy to understand language and adding more content related to “How do Audits Work”.

- Building on the Mass.gov website overhaul in late 2011, DOR used the opportunity to create a media-and graphic centric site to make navigating through the voluminous DOR website much easier and friendlier.

- DOR incorporated the Google Translation feature on all DOR web pages. This tool allows immediate translation of our website into any one of 64 different languages.

- The Agency solicited and incorporated input from tax practitioners into the redesigning of the Notice of Assessment. This process will continue to be an integral part of ongoing Notice development as we update our technology infrastructure.

- City and Town, the Division of Local Services’ (DLS) twice-monthly e-newsletter sent to over 6,500 state, local and municipal officials was fully redesigned. The new format is more informative and interactive, providing links to DLS web content and updates on seminars, workshops and trainings.

- The DLS’ Municipal Databank has created new user-defined, web-based reporting tools that allow direct query against the Division’s Gateway database.

**CHALLENGES**

DOR is proud of the many successes we have achieved in recent years. As we continue to work to deliver positive results and expertly execute our mission, we know we will be up against a number of challenges including an aging workforce, aging technology and fraud and identity theft. We view these challenges as an opportunity to strengthen our operations and further improve the way we do business. Our strategic plan outlines the key actions we will take to address the challenges described below:
**Aging Workforce**

DOR is acutely affected by a trend that is impacting many government agencies (as well as private industry), which is the aging and imminent retirement of the baby boomers. At DOR we expect to lose many of our most senior, experienced and knowledgeable employees over the next 5 years. Our conservative estimate is at least 500 employees. While this as a daunting challenge, it is also an opportunity to proactively do knowledge transfer and focus on a career path for our emerging leaders.

**Aging Technology**

The core systems for both Child Support Enforcement and Tax Administration are nearing the end of their useful lives. This means we cannot always meet our customer expectations for service, or be nimble enough to meet the changing requirements of the administration or the legislature. We are currently undertaking replacements of both systems. While ultimately this will provide enormous opportunity for the agency, in the short run, these developments put a strain on both our business and technical resources that are needed for normal operations.

**Fraud/Identity Theft**

Fraud and identity theft are growing problems worldwide. The Inspector General estimates that the IRS will issue over $21 billion in fraudulent refunds over the next 5 years. We are continually looking at new and creative ways to stay ahead of the curve. Last year, using a series of business rules-based filters, we were able to stop $20 million in fraudulent refunds from going out the door. But those trying to perpetrate fraud on the public do not rest, and neither can we. We are looking at complementing our rules-based fraud filters with predictive models and risk scoring to create a more comprehensive defense system. At the same time we are trying to protect against fraud, we are also taking steps to protect the security of taxpayer information. Data loss prevention and protection of taxpayer information is something we are passionate about, working with business partners to protect data on the way in, on the way out and when at rest.

**DOR 360**

DOR is in the process of implementing “DOR 360” which is designed to create a culture and processes that support communication, collaboration and co-design with a broad range of stakeholders.

As part of DOR 360, the agency has solicited input from the taxpayer and practitioner community on notice redesign, alternative dispute resolution, and audit practices. We are also initiating a series of customer service surveys and focus groups to better understand how we can better serve the community.

Feedback received from stakeholders as part of DOR 360 is already being incorporated into agency practices in ways including redesigned notices, redesigned web pages and the introduction of mediation as an alternative dispute resolution process.

DOR has also recently formed DORAC, an advisory council comprising DOR employees and practitioners representing all aspects of our stakeholders. DORAC will support efforts to improve collaboration and co-design.
SUPPORTING THE SECRETARIAT


DOR supports A&F’s Better Performance goal by taking a proactive approach to improve performance, effectiveness and efficiency across the agency, developing and actively measuring standards of quality for core processes, and actively working to improve the skills, processes and technologies to better support the core functions of the agency.

DOR support’s A&F’s Better Government Goal by creating a customer focused culture and processes that will support communication, collaboration and co-design with a broad range of stakeholders.

DOR GOALS

Agency wide goals:

- Modernize the information technology infrastructure supporting tax and child support operations by successfully implementing the MASSTAX2 and COMETS HD projects. MASSTAX 2 will replace the existing tax collection system, which is becoming obsolete and inefficient. COMETS HD will allow CSE to better manage their open caseload and improve responsiveness. Both projects underpin DOR’s efforts to improve performance and customer service.
- Create a culture and processes that support communication, collaboration and co-design with a broad range of stakeholders.
- Increase diversity at all levels and build an appropriately skilled workforce.
- Take a proactive approach to improve performance, effectiveness and efficiency across the agency
- Provide easy access to quality customer service.

Tax Operations:

- Improve efficiency and effectiveness of audits.
- Provide clear, timely and relevant guidance to taxpayers.
- Resolve disputes through processes that are effective, fair, and easy to navigate.

Child Support Enforcement:

- Maximize federal reimbursements and performance by achieving or maintain compliance with the “Fed 5” performance measures.

Division of Local Services:

- Provide high-quality technical assistance, training and oversight to assist Massachusetts cities and towns to achieve sound and efficient fiscal management.
To achieve our goals, DOR will take the following actions:

<table>
<thead>
<tr>
<th>GOALS</th>
<th>ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agency-wide Goals</strong></td>
<td></td>
</tr>
</tbody>
</table>
| Modernize the information technology infrastructure supporting tax and child support operations by successfully implementing the MASSTAX2 and COMETS HD projects | • Use key performance indicators (KPIs) to monitor and manage program health and status  
• Actively manage high-level program issues and risks  
• Maintain outstanding relationships with all program vendors and business partners |
| Create a culture and processes that support communication, collaboration and co-design with a broad range of stakeholders | • Implement DOR 360 to gather a variety of perspectives on benefits and challenges of doing business with the Department  
• Use data analytics, alternative dispute resolution, frequent written communication and other customer-centric approaches to anticipate stakeholder needs, improve service and make compliance easier  
• Create new and strengthen existing partnerships with other agencies through simpler data exchanges to further respective missions, simplify processes for customers and improve efficiency |
| Increase diversity at all levels and build an appropriately skilled workforce | • Improve recruiting, hiring, management and promotion processes to increase workforce diversity at all levels  
• Improve recruiting, hiring, management and promotion processes to build an appropriately skilled workforce for the future  
• Develop and implement an “Emerging Leaders” program |
| Take a proactive approach to improve performance, effectiveness and efficiency across the agency | • Implement Balanced Scorecard, KPIs and risk management for all divisions  
• Implement Operations Research capability to identify ways to improve on all KPIs |
| Provide easy access to quality customer service | • Review and reengineer where appropriate all core customer-facing processes to ensure they are high-quality, simple, easy to navigate and transparent  
• Reengineer processes to increase employee responsibility and accountability, reduce handoffs and improve service  
• Increase voluntary compliance by improving the quality and availability of self-help applications for taxpayer use |
<table>
<thead>
<tr>
<th>GOALS</th>
<th>ACTIONS</th>
</tr>
</thead>
</table>
| **Tax Operation Goals**                                             | • Plan, develop and establish a Model Audit Office to improve “end to end” audit practices  
• Apply data analytics to improve and focus audit and collections case selection  
• Develop and publicize audit process and standards  
• Communicate legal positions up front and publicly  
• Increase stakeholder communication and interaction in development of legal positions  
• Establish alternative dispute resolution processes that are easy to navigate and encourage quick dispute resolution/settlement  
• Establish mediation as an alternative dispute resolution process  
• Reengineer processes to enable dispute resolution at the audit stage  
• Improve inventory management processes to provide appeals timeframes that are predictable, consistent and related to taxpayer business needs |
| Improve efficiency and effectiveness of enforcement operations       |                                                                                                                                                                                                          |
| Provide clear, timely and relevant guidance to taxpayers             |                                                                                                                                                                                                          |
| Resolve disputes through processes that are effective, fair, and easy to navigate |                                                                                                                                                                                                          |
| **Child Support Enforcement Goals**                                 | • Apply data analytics to improve and focus case selection  
• Improve performance on self-assessment case processing timelines  
• Develop and implement a plan to transition to IV-D PEP  
• Develop a plan to improve quality of paternity case documentation and data entry going forward |
| Maximize federal reimbursements and performance by achieving or maintaining compliance with the “Fed 5” performance measures |                                                                                                                                                                                                          |
| **Division of Local Services Goals**                                | • Increase internal use of the DLS Municipal Gateway to maximize efficiencies and functionality  
• Develop affordable and supportable cloud-based financial applications for Massachusetts municipalities  
• Provide focused informational workshops, trainings, and other formal and informal interactions for DLS stakeholders |
| Provide technical assistance, training and oversight to assist Massachusetts cities and town in the achievement of sound and efficient fiscal management |                                                                                                                                                                                                          |
DOR will utilize the high-level outcome measures presented in the table below to assess success in achieving our strategic goals:

<table>
<thead>
<tr>
<th>GOAL</th>
<th>MEASURE</th>
<th>DEFINITION/NOTE</th>
<th>DATA SOURCE</th>
<th>FREQ.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency-wide</td>
<td>% of indicators that are stable or improving</td>
<td>As part of delivering these critical IT projects, DOR will be tracking key indicators of performance against milestones</td>
<td>DOR</td>
<td>Weekly</td>
</tr>
<tr>
<td>Modernize IT by keeping MASSTAX 2 and COMETS HD on the path to successful completion</td>
<td>% of taxpayers who view DOR as meeting its mission of enforcement of the tax laws as well as its vision of conducting business in ways that are innovative, customer-focused and transparent</td>
<td>The DOR 360 group engages stakeholders and customers and regularly conducts surveys and collects feedback</td>
<td>DOR/Taxpayers/Practitioners</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Create a culture and processes that support communication, collaboration and co-design with a broad range of stakeholders</td>
<td>% of workforce members who represent minority and other historically under-represented demographic groups</td>
<td>DOR regularly tracks the percentage of its employees who are members of a protected class, such as members of minority groups and individuals with disabilities</td>
<td>DOR</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Increase diversity at all levels and build an appropriately skilled workforce</td>
<td>% of workforce whose performance is being actively managed either for improvement or advancement</td>
<td>DOR is striving to proactively measure our employees’ work performance accurately and consistently and dedicate a full time resource to turning work performance around by establishing meaningful and consistent remedial development plans and ensuring that managers are providing accurate performance reviews</td>
<td>DOR</td>
<td>Monthly</td>
</tr>
<tr>
<td>Provide easy access to quality customer service</td>
<td>% of customer inquiries that are resolved through self-service or at first point of contact</td>
<td>DOR regularly tracks incoming customer inquiries and resolution times</td>
<td>Survey Results</td>
<td>Ongoing</td>
</tr>
<tr>
<td>GOAL</td>
<td>MEASURE</td>
<td>DEFINITION/NOTE</td>
<td>DATA SOURCE</td>
<td>FREQ.</td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
<td>-----------------</td>
<td>-------------</td>
<td>-------</td>
</tr>
<tr>
<td>% of taxpayers reporting a favorable customer service experience</td>
<td>DOR conducts surveys of taxpayers to determine their satisfaction and customer experience</td>
<td>Ongoing</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Tax Operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve efficiency and effectiveness of enforcement operations</td>
<td>$ per audit hour</td>
<td>Depending upon tax type, tax examiners and tax auditors can assess an average of $1 to $1.5 million per person, per year</td>
<td>DOR</td>
<td>Monthly</td>
</tr>
<tr>
<td>Refund fraud prevented</td>
<td>Enhancements to the fraud filters resulted in 736,000 returns being earmarked for review - of that number, almost 27,000 fraudulent refunds, totaling approximately $20 million were stopped from being issued</td>
<td>DOR</td>
<td>Monthly</td>
<td></td>
</tr>
<tr>
<td>$ per collector hour</td>
<td>Collectors have historically collected an average of $2 - $3 million per year; this is a key metric of the efficiency and effectiveness of enforcement operations</td>
<td>DOR</td>
<td>Monthly</td>
<td></td>
</tr>
<tr>
<td>Provide clear, timely and relevant guidance to taxpayers</td>
<td>% of taxpayers who believe they have had adequate guidance from the department</td>
<td>This is tracked as part of regular customer surveys - adequate guidance results in more first call resolution, consistent messaging from Customer Service and an increased compliance. DOR routinely conducts call monitoring on its customer service staff in order to ensure that accurate guidance is being provided.</td>
<td>DOR/Taxpayers/Practitioners</td>
<td>Monthly</td>
</tr>
<tr>
<td>Accuracy of CSR responses</td>
<td>This is tracked as part of regular customer surveys and through call monitoring – providing accurate and consistent feedback results in proper tax reporting</td>
<td>DOR/Taxpayers/Practitioners</td>
<td>Monthly</td>
<td></td>
</tr>
<tr>
<td>Tax Operations: Resolve disputes through processes that are effective, fair, and easy to navigate</td>
<td>Average time between Notice of Intention to Assess and collection of assessment</td>
<td>This is tracked as part of regular customer surveys. A big concern with the taxpayer community is the length of time it takes to navigate through the appeals process. A Notice of Intention to Assess is a proposed assessment that is issued when the Department believes the taxpayer has a liability. The taxpayer has 30 days to appeal the notice before it becomes a</td>
<td>DOR/Taxpayers/Practitioners</td>
<td>Monthly</td>
</tr>
<tr>
<td>GOAL</td>
<td>MEASURE</td>
<td>DEFINITION/NOTE</td>
<td>DATA SOURCE</td>
<td>FREQ.</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td></td>
<td>% of taxpayers who have accessed dispute resolution processes who have found them to be effective, fair, and easy to navigate</td>
<td>This is tracked as part of regular customer surveys. A big concern with the taxpayer community is the length of time it takes to navigate through the appeals process.</td>
<td>DOR/Taxpayers/Practitioners</td>
<td>Monthly</td>
</tr>
<tr>
<td></td>
<td>Paternity Establishment - 90%</td>
<td>CSE received federal reimbursement from the office of Child Support Enforcement based on their meeting this measure. The paternity establishment percentage is 90%.</td>
<td>CSE/OCSE</td>
<td>Yearly</td>
</tr>
<tr>
<td></td>
<td>80 % of cases with a Child Support Order</td>
<td>CSE received federal reimbursement from the office of Child Support Enforcement based on their meeting this measure.</td>
<td>CSE/OCSE</td>
<td>Yearly</td>
</tr>
<tr>
<td></td>
<td>Current Collections Performance- 80% is the maximum possible percentage</td>
<td>CSE receives federal reimbursement from the office of Child Support Enforcement based on their meeting this measure. The higher the percentage, the more incentive the program receives.</td>
<td>CSE/OCSE</td>
<td>Yearly</td>
</tr>
<tr>
<td></td>
<td>Arrearage Collections Performance- 80% is the maximum possible percentage</td>
<td>CSE received federal reimbursement from the office of Child Support Enforcement based on their meeting this measure. This measure captures the percentage of cases that have arrears and have some payment during the year.</td>
<td>CSE/OCSE</td>
<td>Yearly</td>
</tr>
<tr>
<td></td>
<td>Cost Effectiveness Performance Level – the amount CSE collects for every dollar spent on the program</td>
<td>CSE received federal reimbursement from the office of Child Support Enforcement based on their meeting this measure. CSE’s performance in the measure is compared with other states and ranked on a state by state basis.</td>
<td>CSE/OCSE</td>
<td>Yearly</td>
</tr>
<tr>
<td>GOAL</td>
<td>MEASURE</td>
<td>DEFINITION/NOTE</td>
<td>DATA SOURCE</td>
<td>FREQ.</td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
<td>----------------</td>
<td>-------------</td>
<td>-------</td>
</tr>
<tr>
<td>Division of Local Services</td>
<td># of participants in DLS instructional sessions</td>
<td>DLS has long been a resource to city and town governments to help them manage their fiscal responsibilities. Cities and towns who work closely with DLS and receive their technical assistance and oversight are better positioned to set their tax rates, set property values and can expect to receive their local aid quarterly.</td>
<td>DOR/City and Town Officials</td>
<td>Ongoing</td>
</tr>
<tr>
<td></td>
<td># of towns using sustainable cloud-based technology solutions for smaller communities</td>
<td>DLS is providing support for smaller communities by providing them cost-effective technology solutions.</td>
<td>DLS/DOR</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td># of subscribers to <em>City and Town</em></td>
<td>There are presently 8,900 subscribers to the DOR <em>City and Town</em> newsletter</td>
<td>DLS/DOR</td>
<td>Monthly</td>
</tr>
<tr>
<td></td>
<td># of communities that have their tax rates and property values set by calendar year end 2013</td>
<td>DLS approves tax rates for all of the Commonwealth’s 351 communities each year. Property rates are set every three years, meaning approximately 1/3 of the Commonwealth’s cities and town are setting their property values on an annual basis.</td>
<td>DLS/DOR</td>
<td>Yearly</td>
</tr>
<tr>
<td></td>
<td># of communities that have local aid distributed in a timely manner (a quarterly basis)</td>
<td>Local aid is distributed on a quarterly basis and cities and towns depend on this aid fund their operating budgets.</td>
<td>DLS/DOR</td>
<td>Quarterly</td>
</tr>
<tr>
<td></td>
<td># of new reporting tools added to the Municipal Data Bank</td>
<td>The Municipal Databank collects, analyzes and distributes financial, demographic and economic data on Massachusetts cities and towns.</td>
<td>DLS/DOR</td>
<td>Ongoing</td>
</tr>
<tr>
<td></td>
<td># of new search tools in the DLS legal library</td>
<td>The DLS legal library can be found on the DOR website and contains all the latest legal changes impacting taxpayers.</td>
<td>DLS/DOR</td>
<td>Ongoing</td>
</tr>
<tr>
<td></td>
<td># of new Gateway features</td>
<td>Gateway is the portal by which city and town officials can conduct business with DLS.</td>
<td>DLS/DOR</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>