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PA Department of Revenue - a case study in transformation

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During the 2016-2017 fiscal year, the Pennsylvania Department of Revenue (PA DOR) found itself in a situation similar to that of many other state and local governments.

The department's complement had shrunk from approximately 2,000 employees in 2010 down to nearly 1,750 employees by the end of 2017. At the same time, the department became responsible for administering eight new taxes and a multitude of other tax changes. It faced constant pressure to collect more revenues while also seeing increased demand to provide better, faster, and more technologically relevant customer service. It was from these challenging times that the Pennsylvania Department of Revenue's five-year Transformation Plan was born.

WHY is the Department Transforming?
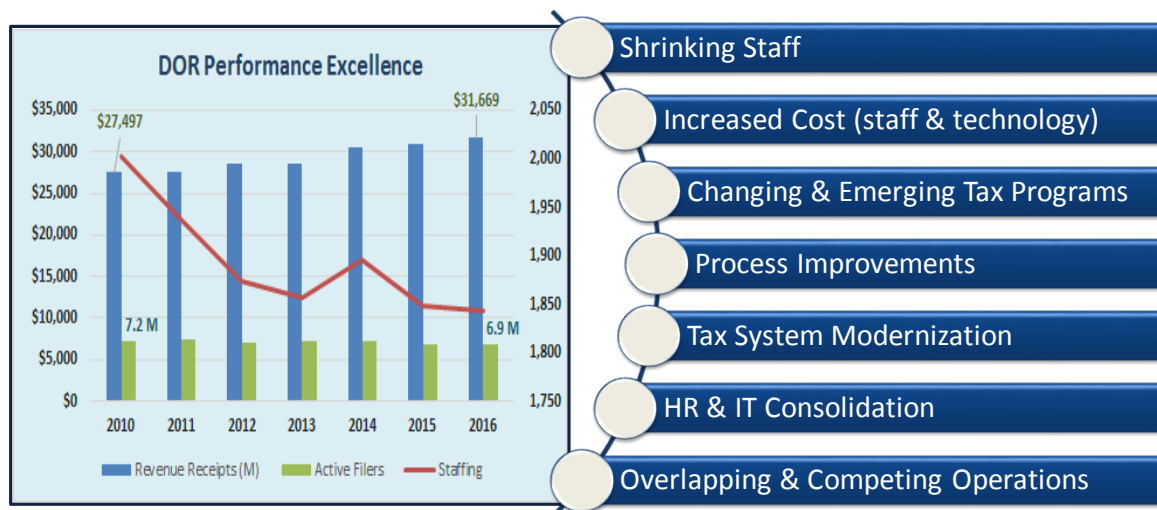
The department's Transformation Plan is a three-pronged approach to modernizing its business processes, realigning resources, and empowering employees. Each of these three focus areas is explained in greater detail below.

Modernizing Business Processes

The cornerstone to the department's Transformation Plan is the replacement of a multitude of antiquated tax and collections systems with a new state of the art integrated taxing system. This system, known as the Pennsylvania Tax Hub (PaTH), is a Commercial Off-the-Shelf product that the department implemented with the help of Fast Enterprises, LLC, a leading vendor in the tax administration industry. This work began in in the spring of 2018. In early 2019, the department also launched myPaTH, a self-service portal that taxpayers can access over the Internet. Nearly a year after this system went live, we have seen an immediate return on investment. To date, we have processed nearly 18,000 payments and collected more than $3 billion in revenue using this new system.

Taxpayers with obligations related to motor and alternative fuel taxes are now able to use the system. Additionally, myPaTH also became available for county offices with realty transfer tax and inheritance tax obligations, in addition to medical marijuana growers/processors responsible for remitting medical marijuana tax. Among many user-friendly features, myPaTH offers the ability to accept e-filed tax returns that had previously been 100% paper based. The project has been running on time and on budget.

The two largest rollouts of the PaTH implementation are yet to come. In November of 2020, PaTH will incorporate personal income tax, pass-through entity taxes, and the Commonwealth's Property Tax/Rent Rebate (PTRR) program. This rollout will directly impact more than six million Pennsylvanians, who will have new electronic filing options for their Pennsylvania tax returns and applications for the PTRR program. The final PaTH release, which will include business taxes (i.e. sales tax, employer withholding, corporate net income tax) and miscellaneous taxes (i.e. cigarette tax, fireworks tax, etc.), is scheduled to go live in the late fall of 2022.

In addition to the implementation of PaTH, the department has made several other technological improvements in how it corresponds with taxpayers. We have started to offer taxpayers and practitioners the option to receive correspondence electronically. In lieu of mailing notices and correspondence, these end users can now log into a secure portal to view correspondence sent from the department. PA DOR has also revamped the way in which mail comes into the department. All inbound mail now arrives in one centralized location, is opened, scanned, indexed and delivered to the appropriate bureau.

Additionally, the department has begun leveraging intelligent mail barcodes (IMB) on its outbound mail. This allows the department to receive better address information directly from the U.S. Postal Service and electronically make updates to addresses within our systems. The implementation of IMB has led to the department collecting an additional $2 million, the elimination of mounds of returned mail, and the department winning a Government Innovation Award from Public Sector 360 for its work on this project. These achievements all came within a year of implementing IMB.

Realigning Resources

As the department was embarking upon and implementing these advances in technology, we were also actively realigning our resources in an effort to become more efficient and to better serve the taxpayers of Pennsylvania. Previously, the department was organized in silos, by tax type. In the winter of 2018, we launched a four-phase plan to functionalize the department. We began starting up these new bureaus in the fall of 2019 and we will complete the reorganization in February 2020.

The first phase of our reorganization was the merger of our inbound and outbound call centers. For years, the department faced criticism for long wait times and busy signals during peak call seasons. The department had maintained a staff of approximately 30 full-time employees, plus an additional 20 tax season temporary staff, to address inbound calls during our busiest times of the year. Meanwhile, our outbound collections call center had nearly 90 full-time employees. When these two call centers were merged under a unified management structure, we saw immediate results. We were able to quickly cross train staff to answer some of the easiest, but most voluminous calls. The department was then able to adjust, in real time, the number of agents available to take these calls based on call volume.

The next step in the department's continued functionalization was to consolidate all business tax return processing into one bureau, and then do the same for business taxpayer accounting. This has also allowed for the opportunity to cross train staff, as all of these tax types exist within the same system. As part of this reorganization, PA DOR also pulled a number of time consuming and cumbersome annual projects out of the taxing bureau and shifted it to our new Bureau of Taxation Support, where they could be improved using Lean process principles.

The last two phases of the department's realignment related to the consolidation of our field staff into one bureau, from four, as well as the consolidation of our desk audit function. Both of these reorganizations were done to ensure better coordination when the department interacted with taxpayers. Previously, the department may have had several field staff visiting the same taxpayer multiple times because the field agents were specialized by tax type. Similarly, one taxpayer may have received several notices from various parts of the department, as a result of multiple simultaneous desk audits being conducted. Once this consolidation is fully implemented, coordination of effort should reduce the number of touchpoints that the department needs to have with a taxpayer, while also ensuring that they are conveying all of the necessary information.

In additional to all of these realignments, the department is embarking on a proof of concept with robotic process automation. We are currently studying how we can leverage bot technology to automate routine and mundane tasks to free up limited human resources to work in more meaningful and value-added areas.

Empowering Employees

The only way that the department could ensure that its Transformation Plan could be successful was to fully engage and empower its employees. Over the last two years, the department has looked to empower its staff by launching a "MyRevenue" internal marketing campaign. This slogan can now be found department-wide

on signage, on coffee mugs, and on the employees themselves in the form of shirts, sweaters, and jackets. The MyRevenue campaign has been a huge success rooted in executive office personnel engaging and routinely meeting with front line personnel. The department has actively engaged staff, at various levels, in our strategic planning and results management initiatives. PA DOR has also strongly supported the Governor's lean initiatives, as more than 90% of the department's personnel have been trained in Lean principles. This training has spawned over 100 Lean projects throughout the department. These projects have given a voice and a sense of ownership and pride to front line staff.

Going forward, as a result of our implementation of a results management system, metrics will be visible to all staff and reviewed monthly with management. Weak points identified by the metrics will be the subject of targeted Lean projects.

Summary

Collectively, these three components of our transformation plan have already started to yield significant accomplishments.

Customer Services has been improved:

- New options for filing and paying taxes electronically;
- Ability for customers to opt in to receiving electronic correspondence; and
- Reduced/elimination of busy signals during peak call season.

Efficiencies have been gained:

- Significant reduction in backlogs;
- $2M in additional revenues from finding better mailing addresses for taxpayers; and
- Process improvements from a multitude of successfully implemented Lean initiatives.

Employee engagement and morale has improved:

- Increased participation by front line staff in focus groups;
- High employee engagement scores from annual employee survey; and
- Genuine embrace of the MyRevenue philosophy.

The department strongly believes that these successes will continue as its Transformation Plan plays out through 2022.

Author Bio

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John Kaschak is the Executive Deputy Secretary for the Pennsylvania Department of Revenue. In this role he functions as the agency's Chief Operations Officer and oversees the processing of ten million tax returns and the collection and accounting of over $33 billion in revenues annually. He holds a bachelor's degree in Business Administration-Accounting from Bloomsburg University of Pennsylvania. He is a Certified Public Accountant (CPA), Chartered Global Management Accountant (CGMA), Certified Information Systems Auditor (CISA), and Certified Government Financial Manager (CGFM).