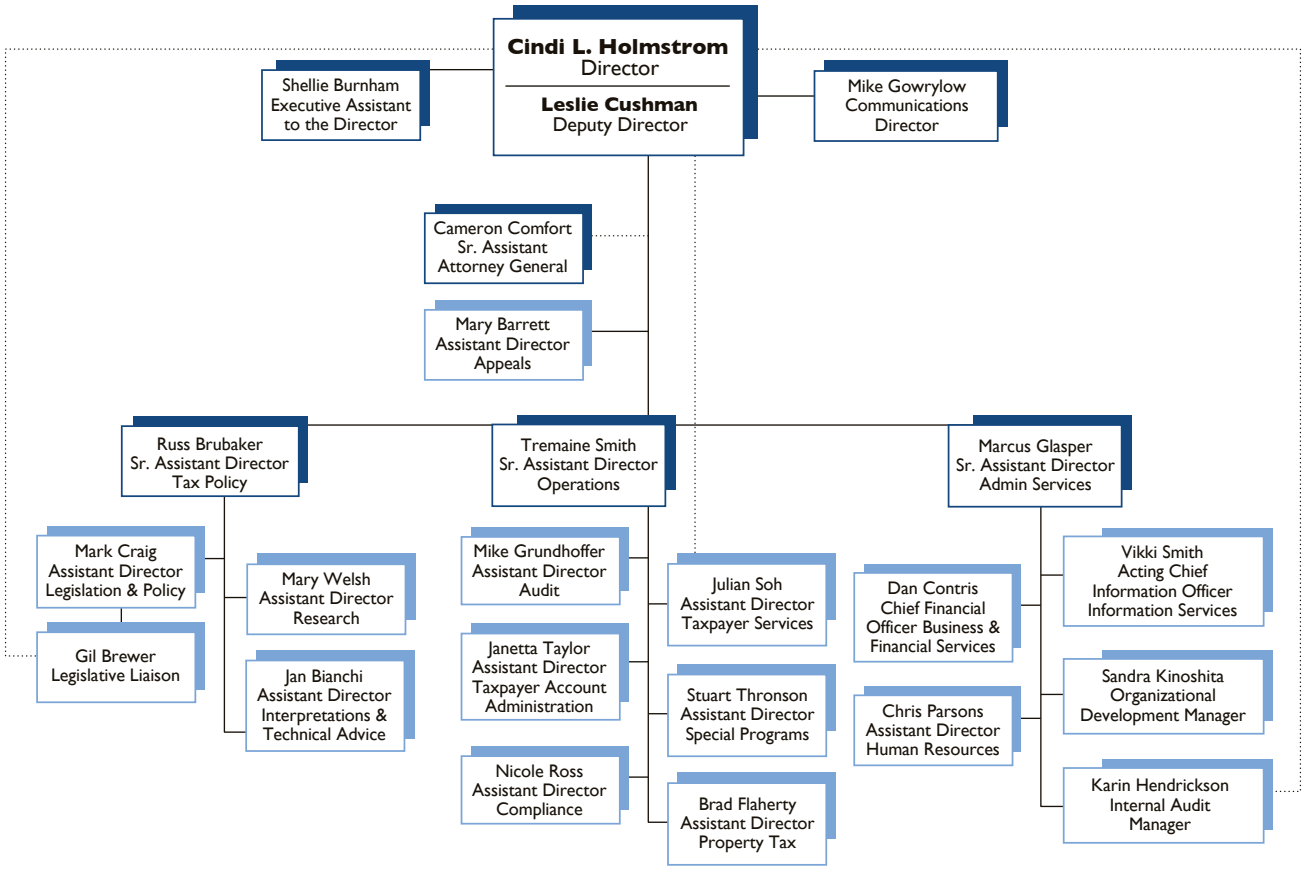
Department of
Revenue
Washington State

Working together to fund Washington's future

2007 Washington State Quality Award Application

Agency Organization



Acronyms

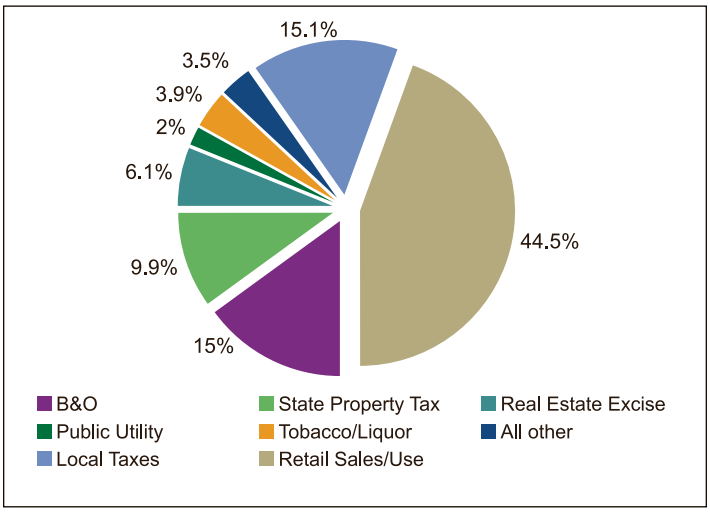
3-D:	Data-Driven Decisions
AD:	Assistant Director
AED:	Automated External Defibrillators
ASC:	Agency Safety Committee
ATRS:	Automated Training Registration Systems
AWB:	Association of Washington Business
B&FS:	Business and Financial Services Division
BAT:	Business Activity Tax
BLS:	Bureau of Labor Statistics
BTA:	Board of Tax Appeals
CAT:	Customer Advisory Team
CBA:	Collective Bargaining Agreement
CFD:	Combined Fund Drive
CFE:	Certified Fraud Examiner
CPA:	Certified Public Accountant
CS:	Climate Survey
CTED:	Community, Trade and Economic Development
DIS:	Department of Information Services
DOP:	Department of Personnel
DOR:	Department of Revenue
EEB:	Executive Ethics Board
E-file:	Electronic Filing
EOP:	Emergency Operations Plan
E-pay:	Electronic Payment
ERFC:	Economic and Revenue Forecast Council
ERM:	Enterprise Risk Management
ESD:	Employment Security Department
ESS:	Employee Satisfaction Survey
ET:	Executive Team
FTA:	Federation of Tax Administrators
FY:	Fiscal Year
GIS:	Geographic Information System
GMAP:	Government, Management, Accountability, and Performance
HR:	Human Resources Division
HRMR:	Human Resources Management Report
IA:	Internal Audit Division
ICSEW:	Interagency Committee of State Employed Women
IRS:	Internal Revenue Service
IS:	Information Services Division
ISB:	Information Services Board
KSA:	Knowledge, Skills, and Abilities
LGAC:	Local Government Advisory Council
LNI:	Labor and Industries
MTC:	Multistate Tax Commission
NAICS:	North American Industry Classification System
NEO:	New Employee Orientation
NIMS:	National Incident Management System
OFM:	Office of Financial Management
OpsTm:	Operations Team
PC:	Personal Computer
PDF:	Position Description Form
PDP:	Performance Development Plan
PETS:	Performance Evaluation Tracking System
PMBOK:	Project Management Body of Knowledge
PMS:	Performance Management System
POG:	Priorities of Government
RRU:	Recruitment and Retention Unit
SAO:	State Auditor's Office
SBP:	Strategic Business Plan
SRP:	Service Recovery Plan
SSTP:	Streamlined Sales Tax Project
SSUTA:	Streamlined Sales and Use Tax Agreement
ST:	Strategy Team
STAR:	State Tax Administration Redesign
TAA:	Taxpayer Account Administration Division
TI&E:	Taxpayer Information and Education
TIC:	Telephone Information Center
TPS:	Taxpayer Services Division
TRA:	Taxpayer Rights Advocate
TSS:	Taxpayer Satisfaction Survey
UBI:	Unified Business Identifier
UCP:	Unclaimed Property
WSATA:	Western States Association of Tax Administrators
WSATR:	Western States Association of Tax Representatives
WSBA:	Washington State Bar Association
WSCPA:	Washington Society of Certified Public Accountants
WSU-SESRC:	Washington State University Social and Economic Sciences Research Center

Preface: Organizational Profile

P.1 Organizational Description
P.1a Organizational Environment

As the state's principal tax collection agency, the Washington State Department of Revenue (DOR) collects 94% of state tax revenues plus most local taxes, for a total of $16.5 billion in Fiscal Year (FY) 2006. Agency collections include $9.9 billion in state and local sales taxes, $2.5 billion in state business and occupation taxes, $1 billion in real estate excise taxes, $436 million in cigarette taxes, $340 million in public utility taxes, and $624 million from dozens of miscellaneous taxes, and the administration of $1.7 billion in state property taxes.

Figure P.1-1 Washington State Total Revenue Collections – State and Local (FY06)



P.1a(1) Main products, services, and delivery mechanisms: By administering state tax law efficiently and effectively, DOR's ultimate goal is to create an environment where taxpayers voluntarily report and pay their taxes (voluntary compliance). Taxpayers doing business with DOR range from global corporations to small in-state businesses.

With this diversity comes the need to provide services in a manner that meets a variety of needs. To carry out its tax administration duties, DOR has the following key products and services: informing and educating taxpayers, providing taxpayer assistance, efficiently processing information, making it simple to conduct business, distributing money to local governments, enforcing compliance with tax laws, building stakeholder relationships, providing opportunities to resolve tax disputes, assisting with tax policy at state and national levels, administering the property tax system statewide, and locating owners of abandoned property.

P.1a(2) Organizational culture: DOR culture is built upon professionalism, steadfast ethics, and stewardship of public trust and funds. Pride and commitment are demonstrated through attentive and resourceful customer service. DOR is competitive and determined, with a solid record of creating innovative solutions with limited resources. Participatory management and collaboration are practiced in all aspects of business, while recognition programs are widespread throughout the Agency. The overall culture of DOR is reflected in its motto: "Working together to fund Washington's future." The Vision, Mission, and Values are outlined in Figure P.1-2.

Figure P.1-2 Vision, Mission, and Values

Vision	
To create an open and collaborative environment that responds to the changing needs of taxpayers, achieves the highest level of voluntary compliance, and maximizes service delivery.	
Mission	
To fairly and efficiently collect revenues and administer programs to fund public services and advocate sound tax policy.	
Values	
Open Communication	Listening and being clear and forthright in all communications to enhance understanding.
Cooperation	Working together to achieve agency goals.
Excellence	Working effectively in a supportive and fun work environment to achieve success.
Respect	Honoring diversity, recognizing individual contributions, and treating people with courtesy.
Integrity	Committing to honest and ethical behavior.
Professionalism	Demonstrating competence, resourcefulness, and the highest standards of conduct.
Accountability	Taking responsibility for our actions and performance.

P.1a(3) Employee profile: DOR has 1,087 employees located throughout the state. Approximately 37% of employees work in DOR's field offices and 3% of employees work out of state. The remaining DOR employees are housed in the Olympia and Tumwater headquarters. A high percentage of DOR professionals consist of accountants, attorneys, and economists. DOR has a diverse workforce as represented in Figure P.1-3.

Figure P.1-3 Staff Profile

Leadership	Supervisory/Management **15%**	Employee/Non-Management **85%**			
Position	Managers **13%**	Professional/ Technical **77%**	Administration **10%**		
Approved Hours	Full-time **92%**	Part-time **8%**			
Tenure (Years)	>1 **6%**	1-5 **36%**	6-15 **30%**	16-25 **22%**	26+ **6%**
Education	High School **38%**	College **48%**	Graduate Degree **14%**		
Gender	Female **57%**	Male **43%**			
Ethnicity	Afr Am **5%**	Asian PI **9%**	Hispanic **4%**	Nat Am **1%**	Caucasian **81%**
Age (Years)	<20 **>1%**	20s **14%**	30s **21%**	40s **30%**	50s **28%**	60+ **8%**
Veteran Status	Veteran **10%**	Vietnam-Era Veteran **4%**	Disabled Veteran **1%**		
Bargaining Units	Represented **73%**	Non-Represented **27%**			

Safety and wellness are agency priorities. DOR is dedicated to ensuring a safe working environment through safety policies, procedures, assessments, education, and emergency preparedness. Employee wellness is also encouraged by providing activities, resources, and tools for self-assessment and developing personal wellness solutions.

P.1a(4) Technologies, equipment, facilities: DOR prides itself on innovative technological solutions to meet the demands of increasing workloads with existing staff. The Agency has implemented Intelligent Character Recognition and Optical Character Recognition technologies to help process tax returns and other vital information, saving considerable staff time. This information and other major in-house applications are available to DOR employees across the state and nation.

The Agency's commitment to delivering customer service has dramatically improved with the use of the Internet. DOR's web site contains current tax information, video tax tutorials, a local tax rate look-up tool, and a variety of other services. The Agency's electronic filing and payment (E-file and E-pay) options, and other online applications, provide taxpayers with the opportunity to report and pay their taxes anytime and anyplace in a safe and secure environment.

DOR continues to build its technology infrastructure. The Agency has Hewlett Packard non-stop high availability servers, redundant processors, Voice Over Internet Protocol, state-of-the-art call center equipment, and a predictive dialer. DOR facilities are located throughout the state, provide excellent working conditions, and most offer in-person assistance to taxpayers and the public. DOR has headquarters located in both Olympia and Tumwater. Field offices are located in Aberdeen, Bellingham, Bothell, Bremerton, Everett, Federal Way, Kent, Lacey, Port Angeles, Seattle, Spokane, Tacoma, Vancouver, Wenatchee, and Yakima.

P.1a(5) Regulatory environment and industry standards: Chapter 82.01 RCW established DOR and the duties and powers of the Director and the Agency. DOR assesses and collects all taxes and administers all programs relating to taxes; makes, adopts, and publishes rules; provides a review and appeals process; maintains a taxpayer services program and a tax research section; and recommends tax law changes to the Governor. DOR is subject to Internal Revenue Service (IRS) security regulations, Governor executive orders, the Washington Information Services Board (ISB) guidelines, and state and federal employment laws and regulations. The Washington State Legislature appropriates resources, while the Office of Financial Management (OFM) approves staffing and spending plans. DOR's Internal Audit (IA) unit provides independent and objective evaluation of departmental risk exposure relating to its governance, operations, and information systems. DOR is also subject to external audits from the IRS and performance and financial audits by the State Auditor's Office (SAO).

It is regular practice to seek industry standards and conduct benchmarking studies. Working with businesses that compete in a global economy requires consideration of impacts beyond state borders. DOR partners with and contributes to national organizations like the Federation of Tax Administrators (FTA), Multistate Tax Commission (MTC), and the Streamlined Sales and Use Tax Agreement (SSUTA) Governing Board. This allows collaboration with peers, identification of best practices, and the implementation of tailored solutions to meet higher levels of performance.

P.1b Organizational Relationships

P.1b(1) Organizational structure and governance: DOR is led by a Governor-appointed Director whose Executive Team (ET) is composed of the Executive Assistant to the Director, Deputy Director, and three Senior Assistant Directors (Operations, Administration, and Policy). Her ET meets weekly to chart the Agency's strategic direction and set expectations throughout DOR . The Director is also a member of the Governor's Cabinet, the Sub-Cabinets on Human Resources, Information Services, and Management Framework, Governor's Board of Economic Advisors, Economic and Revenue Forecast Council (ERFC), Executive Committee for the MTC, Board of Trustees for the FTA, and the Western States Association of Tax Administrators (WSATA) Board of Directors.

The Strategy Team (ST), the next level of agency leadership, meets bi-weekly to share and discuss agency and divisional management information as well as make policy and administrative decisions. In addition to the ET members, the ST includes 13 divisional Assistant Directors (AD), three managers assigned to the Executive office, and the Director's executive assistant. All ST members directly report to an ET member, provide broad agency direction to ensure alignment with and progress towards achieving the Agency's vision, mission, and goals, and support the ET in setting policy. The third level of agency leadership is the Operations Team (OpsTm), which extends to the mid-management and supervisor level and encompasses approximately 160 people.

P.1b(2) Key customer and stakeholder groups, requirements and expectations: The major customers and stakeholders are outlined in Figure P.1-4. There is significant overlap between customers and stakeholders, and both are often consulted through multiple channels. Methods such as stakeholder forums and processes, employee and customer satisfaction surveys, intra- and interagency work, and advisory groups are crucial to the development of policy, tax administration, and workforce management at DOR.

Figure P.1-4 Customer and Stakeholder Expectations

Customer Groups	Requirements/Expectation
▪ li ▪ inesse ▪ islators and Staf ▪ ibal Government	▪ ir administration of tax system and enforcemen ▪ informatio ▪ ible, personalized and timely customer servic ▪ icient operations
Stakeh l	**/Expectations**
▪ loyee ▪ io ▪ l and State Governmen ▪ Industry Association ▪ ional Organization	▪ ip and suppor ▪ ip and involvemen ▪ ilit ▪ information and resources

An example of working with key stakeholders is the Washington Streamlined Sales Tax Advisory Group. This group is composed of

state legislators, retailers including those selling over the Internet, large and small businesses, cities, counties, and senior DOR management. Stakeholder input is carefully discussed, evaluated, and considered in DOR strategic planning processes. Professional organizations receive information, updates, and reports in response to inquiries and emerging issues.

P.1b(3) Suppliers and partners: DOR partners with state and local governments, associations, and businesses for benchmarking, best practices, and process improvement. DOR partners play an essential role in the agency value creation and support processes. Collaboration with other public agencies and local governments is the keystone to numerous priority projects, impacting the external value placed upon DOR. Informal feedback processes consistently provide a means to inclusively address problems and obtain a pulse of stakeholder needs.

The Department of Information Services (DIS) is an example of a partner that impacts DOR value to customers. DIS provides statewide electronic connectivity to external information and communication systems. When the DIS system is down, communication and services to taxpayers is compromised. As a result, DOR regularly conveys to DIS sensitive calendar deadlines and maintains clear expectations to ensure outstanding service standards.

Innovation is a priority at DOR. Partners are included in various innovative processes to strengthen effectiveness and efficiency. For example, DOR partners with Visa and MasterCard to offer E-pay options to taxpayers.

Interdivisional quality teams have a successful record as an effective means to drive innovation and process improvement. There is a prescribed process for establishing a team that maximizes consistency and resources while leveraging the diversity of teams through proven facilitation and quality principles.

P.1b(4) Key partnering relationships and communication mechanisms: DOR uses numerous communication mechanisms to build and foster customer relations.

DOR has championed the web as a primary communication tool and regularly involves customers through the user-centered design process. Customers are recruited to test the "usability" of new web site applications, forms, and documents. DOR pioneered the use of online video workshops and has given numerous government presentations, by invitation, regarding the success of our web communication program. DOR leaders host Business Roundtable Events periodically throughout the state and have formed a local government advisory council that meets several times a year.

Traditional communication methods include letters, publications, and newsletters, the Agency's toll-free Telephone Information Call Center (TIC), and front counter assistance at 14 offices statewide. The Agency hosts workshops on emerging tax subjects and staffs a speakers bureau ready to attend events upon request. DOR partners with business associations (e.g., Association of Washington Business (AWB), Independent Business Association, Washington Retail Association) to reach businesses through additional channels such as association newsletters.

P.2 Organizational Challenges
P.2a Competitive Environment

P.2a(1) Competitive position: DOR is highly regarded nationally as a leader in tax administration, having been honored repeatedly with local and national awards. DOR regularly conducts and is sought to participate in numerous benchmark studies, sharing and leveraging the best practices in the industry. The FTA named the Agency winner of a 2005 award for its web-based tax tutorials. In 2004 DOR won two FTA awards for Outstanding Compliance Program and Outstanding Management and Organizational Initiative. In 2003 the Agency was one of only six state revenue agencies to earn a top four-star rating by Governing magazine. DOR also won three Governor 2004 quality improvement awards as described in Figure P.2-1.

Figure P.2-1 Governor Quality Improvement Awards (2004)

Financi l Award	Initial Contact Team collected more than $20 million in delinquent taxes during the first 18 months of operation.
l	ion Team brought in a total of $7.5 million from targeted industries over four years.
Financi l Management Award	Data warehousing system enables the Department to combine and analyze various disparate internal and external data bases, identifying noncompliance problems so it can target audit and compliance efforts.

DOR's competitive position is defined by its ability to ensure high levels of compliance and its role in helping shape changes to the tax system to keep Washington competitive in a global economy.

DOR has achieved high levels of voluntary compliance despite a twofold increase in the number of registered businesses in 12 years, all while staffing levels remained flat. Compliance among registered businesses has increased during this period. In 2006, businesses paid 98.2% of taxes due compared to 97.2% in 1996.

DOR also works with other state agencies on economic development issues, most notably developing a comprehensive set of incentives that helped The Boeing Company decide to build its new 787 "Dreamliner" passenger jet in Washington State.

The Agency has played a leading role in the development of the Streamlined Sales Tax Project (SSTP), a national effort by states to reduce the burden of tax collection by businesses selling products remotely over the Internet and by telephone and mail order.

DOR helps maintain its competitive position through cooperative relationships with key collaborators such as other departments of revenue, the FTA, MTC, the Governor's Office, and other state agencies including the OFM, Employment Security Department (ESD), Labor and Industries (LNI), and Community, Trade and Economic Development (CTED).

P.2a(2) Principal success factors: DOR success factors are maintaining a high level of voluntary compliance among registered businesses, identifying and addressing areas of noncompliance, and reducing the number of unregistered businesses. DOR determines critical success

factors and gauges performance by conducting extensive stakeholder work, being highly responsive to the political environment, and benchmarking to other public and private tax collection agencies. To accomplish these factors DOR strives to maintain the integrity of the tax system, administer taxes fairly, respond effectively to legislative changes, educate businesses and the general public on their tax rights and obligations, and make full use of advanced technology and the creativity of its employees to simplify tax reporting and improve internal processes.

DOR has emphasized employee training and improved assistance to taxpayers as additional success factors. The Agency has extensively used the Internet to improve communications with taxpayers and make tax-related information more readily available to them. E-file has also been successful for both DOR and taxpayers.

Key changes affecting the competitive environment:

- Rapid technology advances, including remote access
- Increased interest by taxpayers in standardization and simplification
- Growing number of multistate business models
- Shifts in consumer purchasing from remote sellers through Internet and mail order
- Maintaining current staff levels despite large-scale growth in the number of businesses and amount of revenue collections

As Washington enters into the expanding and highly competitive global market, opportunities for collaboration include partnering with businesses to identify ways to reduce the administrative burden of meeting their tax obligations. DOR works to support legislative and policy changes that simplify the process or provide incentives where desirable. The Agency also collaborates with other states through the SSTP and by sharing effective tax administration techniques.

P.2a(3) Sources of comparative and competitive data: Key data sources from within the tax industry include the DOR's tax information from taxpayer reporting, the Data Warehouse (matching data from two outside sources, to assist the Agency in increasing revenues and internal efficiencies by bringing new and existing taxpayers into compliance), and a unique state input-output model that analyzes business transactions and taxpayer compliance in great detail. DOR also researches the practices of other state departments of revenue, the FTA, MTC, local tax jurisdictions, and the business community.

Key data sources outside the industry include the U.S. Census Bureau, Bureau of Labor Statistics (BLS), the U.S. Department of Labor, other state agencies, research by higher education institutions and the private sector, and the ERFC.

All sources have similar data limitations including time delays and the integrity of data. Washington's DOR has a much greater ability than most states to track and analyze collections due to the state's unique tax structure. The reporting detail from taxpayers provides a rich source of data. DOR heavily invests in staff and technology to leverage its analytical capabilities.

Figure P.2-2 Strategic Challenges

Make Conducting Business as Clear and Simple as Possible
• Ensure customers have access to information and educational materials that are easy to understand • Promote and participate in statewide approaches for delivery of state services • Use technology to make it easier for customers to conduct business in a secure environment • Make it easier for taxpayers to report and pay their taxes
Recruit, Develop, Retain, and Value a High Quality, Diverse Workforce
• Use proactive methods to attract and retrain highly qualified and diverse employees • Develop employees' skills, knowledge, and abilities through training and education • Prepare for workforce transitions through succession planning
Seek Efficiency, Improvement, Innovation, and Accountability in Department Programs
• Enhance organizational efficiency and continuity through process improvements and technology • Develop and use data and information to make better decisions • Make information readily available to employees and customers • Develop creative and innovative solutions while maintaining Department accountability
Build and Strengthen Open and Collaborative Relationships with Each Other and Our Customers
• Foster a culture of open communication, teamwork, collaboration, and respect • Create and strengthen collaborative local government and stakeholder partnerships • Resolve issues in a fair and timely manner
Promote Correct and Timely Reporting and Payment of Taxes
• Ensure taxpayers have access to accurate and concise information regarding taxes they owe • Assist taxpayers with reporting and payment responsibilities through education • Reduce the amount of unreported tax through education and enforcement • Encourage use of electronic transactions at every opportunity
Promote Fairness and Consistency in the Development and Application of Tax Law and Policy
• Timely develop and communicate clear, consistent interpretations of tax law. • Enhance taxpayer involvement in tax policy development. • Improve tax policy communication and tax law training within the Department.
Provide Tax Information and Analysis that is Forward-looking and Responds to the Changing Business Environment
• Identify long-range industry trends and practices to help develop policies that foster economic growth • Actively participate in national and regional efforts to streamline and simplify taxes • Provide timely tax information and advice to the Governor, Legislature, and other stakeholders

P.2b Strategic challenges: DOR aligns its business, operational, human resources, and sustainability challenges in the Strategic Business Plan (SBP). This approach supports development of strategies, initiatives, and action plans to address current and long-term strategic challenges. Goals and strategies are outlined in Figure P.2-2.

P.2c Performance improvement system: The DOR Management Process (Figure P.2-3) is a systematic approach to evaluation, decision-making, and continuous improvement. Through the use of multiple assessment tools deployed throughout the Agency, data is gathered, aggregated, and evaluated. Assessments are used to gather data internally from staff and externally from stakeholders and taxpayers and are used to identify trends, spot issues, and monitor progress. Data is the starting point for management decisions and is used to lay out options, make choices, and set strategic direction. The agencywide emphasis on accountability and focus on using data to make decisions establishes a learning environment at all levels of the organization. The result is that the assessment information is used in the development of the SBP.

Strategic planning is conducted on a cyclical basis through the SBP process, in which emerging risks and management challenges are identified, resource commitments are prioritized, and implementation of projects and initiatives are scheduled. The SBP process involves external and internal alignment. External alignment is typified by a focus on the Governor's priorities and through the budget process. The budget process involves the legislative branch as well as OFM. Internal alignment involves an intentional review of the DOR mission, values, and goals and a review of how these elements are echoed throughout the Agency. This is found in individual contracts with the Director, staff evaluations, and divisional strategic plans as well as in the charters for each SBP initiative and other projects.

A focus on results is maintained through a performance management system that encompasses regular review points and milestones. A key aspect of this is the adoption of Government, Management, Accountability, and Performance (GMAP) principles by agency leadership and a decision to use those same principles to manage work in divisions, sections, and workgroups. GMAP forums are conducted both internally and before the Governor. The main GMAP principle is the use of trend data to provide a candid view of performance measure targets and results. GMAP also places a high value on examining outside factors and the role and impact of other stakeholders and processes. GMAP forums provide a means to hold managers accountable. A further benefit is the innovation and process improvements that evolve from the intra- and interagency collaborations that are part of the GMAP process.

Performance improvement initiatives that result from the cyclical planning process are identified in the SBP process and progress is regularly reported throughout the year to the ST. An internal performance measure tracking system records monthly results and facilitates data-based decision making. It also provides reports for feedback at all levels of the Agency, including those measures regularly reported to the ET.

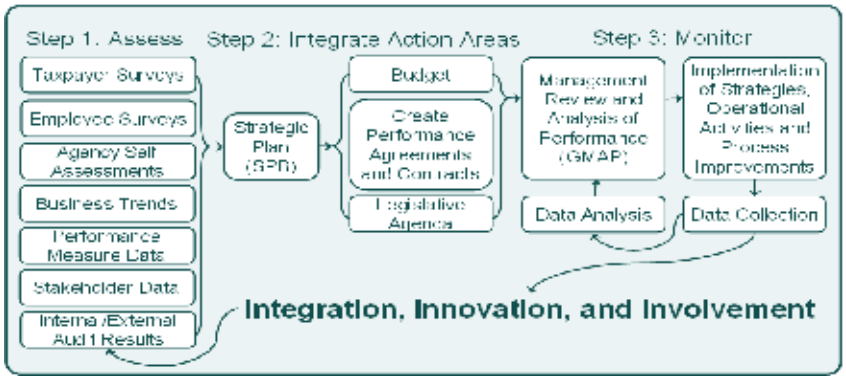
The Agency culture is one of openness and approachability, providing multiple access points to listen and actively engage customers and stakeholders. Interdivisional and cross-agency teams are regularly commissioned to improve timeliness, reduce error rates, and make administrative processes more efficient.

DOR has conducted three biennial Baldrige self-assessments since 2000. DOR has developed its capacity for assessing its performance and to identify areas for improvement by sending approximately 20 employees to Baldrige examiner training for each assessment. Following the intensive training, these employees then conducted comprehensive self-assessments. Strengths, opportunities for improvement, and action plans are required at both the divisional and agency levels to address specific challenges. Finally, the Agency priorities from the self-assessment are incorporated into an SBP initiative or ET sponsored project to ensure progress, accountability, and communication throughout DOR.

DOR is currently working to improve information technology and document security, as this greatly affects the reputation, trust, and integrity accorded the Agency. Other highlighted areas include the prioritization of competing demands and communication of progress and outcomes.

One method to achieve this communication is the cascading down of GMAP. By integrating GMAP into the agency culture, divisions and individual employees can connect their performance to the achievement of agency goals. This occurs through ADs involving employees in the development and preparation of GMAP presentations, presenting the content at various staff meetings and retreats, and having an agencywide focus and direction to communicate through the GMAP Intranet site. It also occurs through the agencywide practice of using data to develop baselines, monitor trends, and make management decisions.

Figure P.2-3 DOR Management Process



1 Leadership

1.1 Senior Leadership

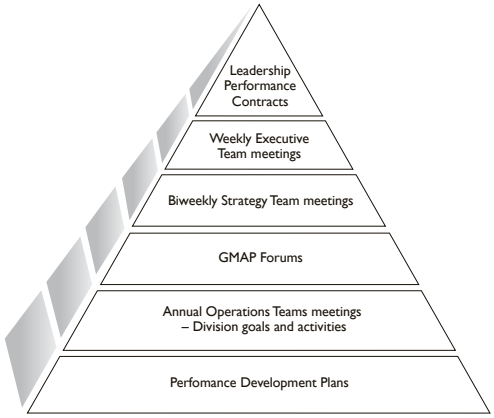
1.1a Vision and Values

1.1a(1) Set and deploy vision and values: DOR's core mission and purpose is established through statute while the vision, goals, and initiatives are set by the ST. As depicted in Figure 1.1-1, these ultimately cascade to an individual level through performance expectations and development plans. In 2005 the Director initiated a facilitated process that resulted in a new agency vision "to create an open and collaborative environment that responds to the changing needs of taxpayers, achieves the highest levels of voluntary compliance, and maximizes service delivery" and a new motto statement "Working Together to Fund Washington's Future." These important statements were shared with every DOR employee in a comprehensive rollout plan throughout the organization. In addition, they were posted externally on DOR's web site to convey the importance to taxpayers and other DOR stakeholders and customers.

Values are communicated through interactions between leaders and employees, printed on wall posters, outlined in articles on the Internet and Intranet web sites, and communicated in the SBP. The SBP process, as outlined in Category 2, helps the Agency communicate its priorities, future directions, and commitments. The plan focuses on what is most important and helps build alignment by connecting the vision, mission, goals, strategies, and initiatives. The ST holds regular meetings and semiannual retreats to talk about the plan, status of initiatives, and resource needs. During the recent SBP planning effort for the period of July 1, 2006 to June 30, 2011, the ST further refined the mission statement, agency goals, and values.

The Director and the ET attend every New Employee Orientation (NEO) training session, setting the tone for employees as they begin their employment with the Agency. ET discuss the vision, mission, values, and agency goals. They cover DOR's organizational structure, emphasize the importance of public service, and highlight the need for ethical behavior. The ET along with the ST visits DOR field offices located throughout the state. These visits provide an open forum to recognize employee contributions, reinforce agency vision, goals, and values, and allow an opportunity for employees to ask questions of agency leadership.

Figure 1.1-1 Cascading Vision, Mission, Goals and Values



Agency values are reinforced through consistent messages and speeches from the Director and the leadership team. ET and ST demonstrate the values through open communication and by being accessible, involved, and visible. Some examples of the personal actions of DOR leadership include regular field office visits and attendance at division retreats, conducting the "Director for a Day" exercise at Cross Training courses to elicit feedback from staff, and attendance at recognition events. Once a year ET and ST cook and serve pancakes to recognize staff contributions. In 2006 the ET personally participated in producing a Public Service Recognition video for all staff.

1.1a(2) Environment for legal and ethical behavior: Legal and ethical behavior is consistently emphasized throughout the organization, which is particularly necessary in a regulatory agency such as DOR. This emphasis begins by establishing the "tone at the top" and conveying expectations for all employees through messaging of DOR's stewardship responsibilities and communicating the importance of DOR's role in state government. It is further demonstrated by leadership modeling expected behavior, using the Employee Satisfaction Survey (ESS) to assess staff views on leadership and ethics within the organization, and instilling pride among employees by being the best of the best. DOR has a designated agency ethics advisor that serves as an internal resource for all staff and also serves as the liaison with the Washington State Executive Ethics Board. As required by statute, DOR sends out annual notifications to employees providing information on the Washington State Whistleblower program.

Legal and ethical behavior is reinforced from the point an employee is hired and follows throughout their employment with the Agency. Each new employee must complete a New Employee Checklist signed by both the employee and supervisor to verify they have read and understood agency policies related to legal and ethical behavior. These policies and others are available online and are discussed at NEO training. In addition, every employee is required to take training in ethics laws, confidential taxpayer information, information security, and related agency policies. First-line supervisors and managers are required to have training in diversity, reasonable accommodation, and harassment. There is also division-specific training for new employees based on their role in the Agency as well as specific manuals that provide guidance on subjects such as bribery and collusion. Divisions also have codes of conduct posted and communicated throughout their work areas.

Criminal background checks are performed before offers of employment are made to ensure prospective employees have committed no crimes related to the job. All employees are required to sign and file a notarized Secrecy Clause Affidavit before being granted access to agency information systems. Not only does the Agency have a policy related to conflict of interest, but any employee who engages in outside employment or volunteer activities is required to complete an outside employment/conflict of interest form upon employment or prior to engaging in that activity.

To reinforce DOR's external responsibilities and behavior, the Agency has a designated position that serves as the Taxpayer Advocate to help resolve issues and complaints from taxpayers. Taxpayers can view their "rights and responsibilities" on the Internet and, if needed, use the complaint/compliment system to provide feedback.

1.1a(3) Create a sustainable organization: DOR's SBP is the primary tool that provides organizational sustainability addressing current needs and those in the future. The SBP creates a road map that ensures fiscal responsibility, outlines priorities, and considers the needs of stakeholders. It sets forth the operational plan for five years, providing focus on ongoing activities and identification of new priorities. As part of the planning process DOR provides opportunities for customer feedback and dialogue to help achieve results, provide better services, and establish partnerships. The SBP reflects leadership's commitment by providing direction, balancing short- and long-term needs, and promoting innovation, risk-taking, and use of technology. Lead divisions are appointed to each SBP initiative and ADs are held accountable for results. The ST holds meetings on a semiannual basis to discuss SBP initiatives, providing the opportunity for candid conversation about progress.

Policies and procedures help sustain the organization by providing employees with consistent guidance through documented institutional philosophy, principles, and business practices. DOR has a formal process in place to develop and/or revise agency policies and procedures. The administrative responsibility is vested in the Senior AD of Administrative Services, and all policies are reviewed and approved by the ST. In 2005 a work group was established to review the Agency's process on developing policies and procedures, lessons learned, and develop recommendations for improvement and implementation of best practices. DOR recently established a committee that periodically reviews policies for currency and applicability.

The environment at DOR supports performance improvement throughout the organization. Staff is encouraged to recommend and suggest improvement ideas as well as participate on process and quality improvement teams. For example, a recent process improvement team sponsored by the Deputy Director was chartered to establish formal mechanisms to share best practices within the Agency. Historically the Agency has sponsored these types of teams to achieve breakthroughs in service delivery.

Another key element of creating organization sustainability is being sure that employees are well trained and that DOR builds capacity by having strong leaders today and in the future. The Performance Development Plan (PDP) process is used to evaluate performance and identify and document developmental opportunities. A formal succession planning program initiative has been prioritized in the SBP, with a committee having the responsibility to develop a plan that will prepare and sustain DOR's work force for the future. To build capacity, DOR offers a variety of venues and opportunities to encourage development and promote training. Some of these include:

- Tuition reimbursement program, offering one of the highest reimbursement rates in the state of Washington system
- Job shadowing opportunities with senior leaders
- Quarterly Cross Training program, giving employees an opportunity to learn about other divisions and sections
- Focused training programs with a dedicated agency training coordinator
- Job-related and leadership development training courses

1.1b Communication and Organizational Performance

1.1b(1) Communication, empowerment, staff motivation, reward and recognition: DOR senior leaders use a variety of communication methods to encourage open communication, elicit feedback, and promote two-way conversations. They promote and foster an open door policy where there is no formal protocol to talk to the Director or ET members, and they are available to all staff and managers. The Director and other agency leaders regularly schedule and attend field office visits where face-to-face communication occurs.

The ST has biweekly meetings throughout the year. ADs are held responsible for maintaining open communications within their divisions through use of e-mail, regular meetings, and retreats. The OpsTm meets annually and the agendas are filled with information sharing, teambuilding, and training topics to empower managers and supervisors to cascade agency communications and activities into their work units. The OpsTm members are required to conduct annual performance reviews with their employees, providing feedback on their performance, recognizing their accomplishments, and outlining training needs and career development plans.

Effective internal communication is critical to DOR's success. In response to the last ESS, leadership made a commitment to improve the focus, quality, and methods of communication within the organization. A quality team was sponsored to examine and recommend improvement strategies. The Director places emphasis on providing regular updates on topics like the budget process, impacts of new legislation such as Streamlined Sales Tax, SBP, litigation news, and Baldrige efforts through Director Messages, Critical Alerts, the Everyone Message Board, and the Director's page located on the Intranet.

The Intranet site "InsideRevenue" is set as the default home page for all agency employees. Along with the Director's page, the site also provides information on quality efforts, recognition awards, access to forms, and a comprehensive employee center that includes manuals, employment listings, policies and procedures, and training and travel systems. The Intranet also provides links to divisional web sites where their unique efforts, accomplishments, and specific tax or program information is available.

Employees have ready access to tax laws, rules, and regulations on the DOR Internet. It has proved invaluable in providing information that is consistent and up-to-date. It has helped address previous staff concerns that taxpayers were seeing tax information prior to DOR employees. Now, employees, taxpayers, tax professionals, and business associations have access to the same information without delay. This complements intensive training curricula to further empower employees to seek and share the necessary information for sound professional judgment and decision making. The agency culture of transparency ensures open-door consultation and communication in order to support timely action by employees.

The Agency has many formal and informal programs used by senior leaders to reward and recognize staff. DOR's annual agency recognition program has been in place since 1993 and continues to evolve as management looks for effective ways to recognize staff. Agency leadership supports the program and plays an active role

in presenting the awards. The Agency's Organizational Development Manager, an ST member, is responsible for coordinating the Agency's recognition program. Rotating membership on the agency recognition committee is highly encouraged and team members represent different job levels, divisions, and locations. The Agency also recognizes its employees for their time in state service. Employees are awarded pins and plaques along with a choice of gifts commensurate with length of service. Divisions and field offices also hold formal ceremonies to recognize individual accomplishments and team efforts.

1.1b(2) Create a focus for action and balancing value: Leadership fully embraces quality principles and takes measures to create an environment where innovation and growth are encouraged. The Agency's SBP process has been in existence since 1986 and continues to be a driving force for focusing on agency actions and balancing needs. In addition, DOR's quality program has helped to foster a culture of continuous learning and commitment to effective and efficient service delivery for the past 14 years. The Malcolm Baldrige National Quality Award criteria have driven internal improvement efforts for nearly a decade, and numerous staff have been trained on the principles. Three internal self-assessments have increased DOR's capacity to evaluate and improve current management processes. Employees are empowered to use professional judgment in performing their jobs in a way that improves service to fellow employees, taxpayers, and citizens. This past year employees and managers have been involved in projects such as updating the ESS and evaluating the results of the Taxpayer Satisfaction Survey (TSS).

The GMAP program is used by DOR to maintain focus on goals and objectives with key performance and project measures being regularly monitored. DOR began GMAP in July 2005 and continues to learn from this process and refine its approach. Internally, GMAP forums are held each month and are attended by all ET and ST members as well as other key staff. ADs are asked to present information on their divisions' progress and contribution towards agency goals, measures, and initiatives on an at-a-glance tool called a "dashboard." The dashboard uses a green, red, or yellow signal to highlight whether the items are on target, not on target, or pose concern. During the sessions ET questions, challenges, and authorizes changes if necessary for continued performance improvement.

At a state level, the Director participates in Governor GMAP Economic Vitality forums on a quarterly basis. The Governor and other cabinet members who are in attendance review agency performance. The forums provide an opportunity for the Director to present data on key factors, discuss new innovations, and respond to questions from the Governor and her Executive Leadership team.

The SBP, GMAP, and quality programs have all helped to institutionalize quality principles and maintain a culture where data-driven decisions, innovation, and growth are paramount. The ability to effectively tell DOR's stories of success has resulted in the Agency receiving numerous awards throughout the years as shown in Figure 7.6-1.

1.2 Governance and Social Responsibilities
1.2a Organizational Governance

1.2a(1) Key factors in governance: Created by Washington State statute, DOR operates within a statewide framework of governance authority and key oversight and accountability processes as outlined in Figure 1.2-l Governance Framework. The Agency recognizes that its stakeholders include taxpayers, particularly businesses in Washington State, as well as other state, local, and federal organizations, and seeks their input to effectively administer state taxes. For instance, the Appeals division conducted a benchmark exercise and surveyed its users to improve processes and levels of communication while still meeting the statutory intent of the law and rules.

Leadership plays an ongoing role in the planning, analysis, and implementation of DOR's operating budget for both general and nongeneral funds. After budgets are approved by the Legislature and signed into law by the Governor, DOR monitors activities for conformance with executive and legislative intent and provides up-to-date information to OFM for oversight. DOR manages contracts according to state regulations and DOR policies and procedures and requires that staff who handle contracts receive specialized training.

DOR has a strong IA function that serves as a key component of the organization in ensuring accountability. To achieve organizational independence, the Agency's IA Manager reports functionally to the Director and administratively to the Senior AD of Administrative Services. IA's mission is to provide independent and objective reviews of agency operations that address one or more of the following objectives:

- Safeguarding of public assets
- Reliability and integrity of information
- Compliance with laws, regulations, and contracts
- Effectiveness and efficiency of operations

The IA team is staffed by three experienced audit professionals who conduct their work in accordance with the Institute of Internal Auditing Standards. An annual plan is developed using risk-based techniques and is approved by the Director. The plan provides for audit activities, advisory/consultation services, internal investigative services, as well as professional training commitments. In December 2006 the IA completed its external peer assessment review and received the highest of three possible ratings. The team is comprised of a manager with over 20 years of audit experience and who is a Certified Public Accountant (CPA) and a Certified Fraud Examiner (CFE), a program manager who specializes in information technology, and a program manager who specializes in financial and operational audits.

By State Constitution, the SAO serves as the auditor of all public accounts and independently serves the citizens of the state as a separately elected office. SAO performs an annual review of the Agency covering financial reporting accuracy and integrity; how DOR protects taxpayer resources from abuse, misuse, and theft; and citizen complaints. SAO also administers the State's Whistleblower Act. The 2006 fiscal year audit was the 14th consecutive year in which DOR received a report of "no findings."

Figure 1.2-1 Governance Framework: Key Groups and Processes within DOR

Governance Group and Role	Responsibility (State and DOR)	Key Processes (State and DOR)
Oversight group comprising the board of directors and its various committees or legislative and other oversight groups in government and not-for-profit settings. ***Role*** is strategic guidance – establishes the governance structure of the entity and exercises oversight. Delegates authority to the stewardship group. The focus is setting roles and expectations, including ethics and stewardship responsibilities.	• Citizens • Legislators • Governor's Office • Other Elected Officials	• Governor's Management Framework GMAP • Legislative review
Stewardship group, Executive Management. ***Role*** – By the delegated authority of the "oversight group," becomes the executor of the governance process. ***Dual Roles:*** • Represents the processes by which broad strategies are established and the resources allocated • Accountability for the results of operations of the entire organization • Oversees the establishment and evaluation of the processes for competent and ethical operations	• Agency Director • Deputy Director • Executive Team • Strategy Team • Authorizing Statute Chapter 82 RCW	• DOR Management Process (Figure P.2-3) • Stakeholder forums • Strategic business planning • Performance measures • Performance plans and contracts • Agency GMAP • Administrative policies • Surveys (Figure 3.1-1) • Customer complaint tracking
Performance group – operating and support management and staff. ***Role*** is primarily that of service delivery at expected levels of cost within the time and resources allocated by executive management. Also, cascading ethical and stewardship cultural expectations into work units. The further delegation of authorities, assignment of responsibilities for implementation of strategies and deployment of resources, and the related management controls over these processes define the major functions of this group.	• Assistant Directors • Operations Team • Control Officer • Risk Manager(s) • Ethics Coordinator • Legal Advisor(s)	Oversight and monitoring mechanisms established at various levels of the agency; including the self-evaluation and feedback of results through the management reporting systems, close the circle of accountability back to the stewardship and oversight groups: • SBP status meetings • Performance measures • Performance plans • Internal/external surveys • HR activities and training • CTI and data confidentiality • Codes of conduct
Assurance group – internal and external audit functions. ***Role*** is to provide independent and objective assurance to the first three groups as well as advice and assistance to enhance the organization's effectiveness. Assurance groups perform monitoring functions that validate the reported results, recommend improvements, and otherwise assist in improving the effectiveness and ethical/stewardship culture.	• Internal Audit • SAO – External Auditor • Executive Ethics Board • IRS – External Audits	• Assurance and consulting services • Financial, compliance, whistleblower, fraud, accountability and performance audits • Executive Ethics Board – ethics complaints • IRS – safeguarding and confidentiality contract compliance

Under RCW 82.32.330 DOR may exchange tax information for official purposes with other Washington State agencies, other states, and federal agencies. DOR's policy is to have a sharing agreement in place with the other agency before disclosing any confidential tax information. This agreement ensures that the other agency understands the confidential nature of the information and penalties for misuse. The Public Records Designee in the Taxpayer Services (TPS) division keeps the list of agreements and authorized personnel. IRS conducts audits every three years to examine DOR's safeguarding practices of the data the IRS shares with DOR. Favorable audit results have allowed the Agency to continue receiving this critical information from the IRS with no limitations.

All records and information maintained by DOR are considered public information under the Public Records Act. However, not all public records are disclosable to the public because of specific nondisclosure laws. By law public records requests must be answered within five working days from the date of receipt. There are penalties for disclosing confidential taxpayer information to someone not entitled to such knowledge. DOR has a Public Records Officer who is responsible for oversight of this program, responds to court orders, and answers questions about public records requests.

1.2a(2) Evaluating performance: Evaluation of DOR's senior leaders starts at the top. The Director is evaluated on agency measures and outcomes that are established at the Governor's Executive Cabinet level. The Director also participates in Governor-level GMAP forums on Economic Vitality, reporting on the performance of agency initiatives and performance measures and on multiagency collaboration. The Director must also provide a report on Human Resources (HR) work force management areas during these sessions. The ET has annual performance contracts with the Director, and the ET has individual performance contracts with the ST. Contracts cover leadership competencies, expectations, performance measures, budget oversight, and progress on key SBP initiatives. The ET reviews accomplishments against the contract with each AD annually. In addition, frequent dialogue and regular feedback occurs between each Senior AD and their direct reports.

Another key feedback process includes a biennial ESS that is structured on the principles of organizational effectiveness including employee morale, agency leadership, and communication. The survey provides information on the pulse of the organization and employee concerns. Previous surveys serve as a benchmark to evaluate progress and determine impact on morale. The triennial TSS provides external feedback on the Agency's service commitments and customer expectations. The ST uses these tools to identify specific agency-wide and divisional opportunities for improvement. As mentioned earlier, DOR holds regular GMAP meetings where key performance measures are monitored using dashboard presentations. ADs receive feedback from the ET during these sessions on their performance as it relates to measures and initiatives. In addition, meetings are conducted biennially where ST members must report their progress on SBP initiatives and whether they are on target or need to adjust deadlines based on resource needs or a shift in priority.

1.2b Legal and Ethical Behavior

1.2b(1) Addressing adverse impacts and anticipating public concerns: DOR's vision, mission, goals, and values (Figure P.1-2) help align expectations around sound legal and ethical principles in administering a complex tax system. DOR's ongoing activities and SBP initiatives continuously factor in potential risks and adverse impacts. The ET monthly review of the "vital few" performance measures and facilitation of agency GMAP sessions are key for monitoring status and identifying needs for course correction or change.

Information from those who are interested and/or affected by the Agency's work is gathered on an ongoing basis using formal and informal venues. DOR engages in extensive formal outreach efforts through business forums, surveys, an online compliment and complaint system, and strong working relationships with business associations and industries. DOR works to maintain positive relationships with Indian Tribes to understand tribal needs while meeting the intent of the Centennial Accord and providing for effective tax administration. All of these mechanisms help provide valuable input to assess impacts and anticipate stakeholder concerns.

A recent internal initiative called for the adoption of Enterprise Risk Management (ERM) methodology which is a strategic-level structured approach to identifying and managing risk and opportunities. This methodology will add more tools to identify, document, assess, and respond to known and emerging business risks. Core operational risks related to legal and ethical behavior are included in Figure 1.2-2, with corresponding methods for management and mitigation.

1.2b(2) Ensuring ethical behavior: Integrity is one of the Agency's core values, and DOR is committed to and adheres to a high standard of honest and ethical behavior. The processes and measures DOR employs to ensure ethical behavior in the organization are outlined in clear policies and procedures concerning confidential taxpayer information, ethics in state government, conflict of interest,

Figure 1.2-2 Core Operational Risks

Scenarios – Adverse Impacts	Key Methods of Managing/Monitoring
Not taxing to the full extent of the law	• Registration process (UBI) • Interagency cooperative efforts (LNI, ESD, Secretary of State) • Audit programs • Compliance collection process/tools (liens/warrants) • Public reporting venue for fraud • Tribal relations/compacts • Performance audits • Appropriate formal legal actions
Breaches in protecting: • Confidential taxpayer information • IRS shared data • Other sensitive data on record	• Policies and mandatory training on ethics, confidential taxpayer information, IRS data, and technology security standards • Information security practices and monitoring • Data sharing agreements • Secure messaging communication tool • IRS audits for compliance and safeguarding controls
Inequity of tax policy or tax law application	• Taxpayer advocate – taxpayer rights and responsibilities • Appeals processes (internal and Board of Tax Appeals) • Rule making and public hearings • Participation and involvement in national and state associations • Request legislation • Stakeholder forums
Misuse/abuse of authority	• Agency policies and procedures and training on ethics laws, conflicts of interest, and harassment • Outside employment approval process • Posting of customer service commitments and monitoring • Staff competencies and training • Division manuals – policies and procedures • Complaint/compliment tracking system • Taxpayer surveys • Reporting venues for unethical or illegal activities – Internal Audit, State Auditor's Office, Executive Ethics Board
Tax reporting errors	• Returns verified for accuracy • Multiple methods of training delivery • Targeted assistance • Call center support
Business closing as an outcome of tax policy enforcement	• Administrative Procedures Act • Revocation hearing process • Revocation appeal process • Specific field compliance manual policies/procedures • Training and supervisor monitoring • Settlement authority
Fraud, waste, abuse of funds collected	• Tone at the top – words and actions align • Internal control designs to prevent or detect • Employee background checks • Reporting venues for improper activity (Internal Audit, State Auditor's Office) • Internal and external audits consider and are alert to indicators
Inefficiency in tax administration	• Performance measures monitoring cost of collections

outside employment, background checks, and public disclosure. Agency expectations are reflected in operations manuals, guidelines, and procedures and internal processes establish proper purchasing and contract implementation. Agency values are printed on a poster that is widely distributed and emphasizes honesty, trust, and professionalism. DOR provides clear expectations through NEO, divisional codes of conduct, and online training in confidential tax information and information security. Staff participation in these courses is tracked, and one indication of the impact of DOR's training efforts is measured in its agency ESS. As shown in Figure 7.6-5, results of the ESS show an improving trend in staff's understanding of state ethics regulations but also show DOR still has room for further improvement. In 2007 DOR will be adding an online ethics training that will be required annually of all employees, and the Agency will continue to monitor future ESS results to identify further enhancement opportunities.

DOR also strives to promote and ensure ethical behavior in interactions with external stakeholders. These interactions are measured and monitored in multiple venues such as stakeholder surveys, business roundtables, compliment/complaint processes, fraud/tip lines, and the exit conferences with businesses performed by the Audit division. Processes to provide checks and balances in the application of tax policy include an independent appeals function and the Board of Tax Appeals (BTA). The Taxpayer Rights and Responsibilities statute ensures that taxpayers are given due process and, when necessary, are provided assistance from the Taxpayer Rights Advocate (TRA).

DOR recognizes the importance of reviewing systemic issues to help foster legal and ethical behavior. The Agency utilizes investigation reports, incidents, and disciplinary actions as opportunities to review agency processes and recommend new protocols to ensure ethical behavior and protect staff from further violations. The Agency also uses data in GMAP, including Department of Personnel's (DOP) Human Resources Management Report (HRMR) to learn and understand trends and make adjustments as needed. DOR responds to breaches of ethical behavior by thoroughly investigating all allegations timely and independently. There are state whistleblower processes and reporting venues for staff and stakeholders. There is also an established grievance process in the Collective Bargaining Agreement (CBA) for represented employees to respond to and resolve employee/management issues.

The state's Executive Ethics Board (EEB) is the source for public service fiduciary and stewardship responsibilities and independently reviews allegations of ethics violations. DOR's training and encouragement for employees to raise questions and concerns has contributed to the good track record the Agency has with the EEB.

1.2c Support of key communities and community health: As a state government organization, DOR's priority is to achieve our public purpose and support the needs of the taxpayer community to fulfill our mission. This is accomplished in a variety of ways. The Agency offers several opportunities for stakeholder input and feedback. DOR hosts stakeholder forums on an annual basis to understand and openly discuss issues facing the taxpayer community. Agency leaders regularly meet and speak at stakeholder groups such as the AWB, State and Local Tax Committee of the Washington State Bar Association (WSBA), Tax Executive Institute, and Washington Society of Certified Public Accountants (WSCPA). DOR's Research division also provides information and data to citizens, stakeholders, educational institutions, special interest groups, and other public entities to support evaluation and policy-making. The Agency conducts training for new businesses around the state and, upon request, provides speakers at various functions.

In administering DOR's tax collection responsibilities and supporting its vision of voluntary compliance, the Agency recognizes that some communities have special needs and it must tailor services to address those needs. Through its education and training outreach efforts, DOR provides multilingual services, hearing-impaired services, and tax forms in different languages. The Agency also has an SBP initiative that seeks to examine our current multilingual program and explore new services to ensure that we are continuing to respond and meet the needs of our growing, culturally diverse population. One example is the recent launch of an Internet video tutorial in Spanish to better serve the Spanish-speaking population in understanding their tax obligations. DOR fully participates in the 1989 Centennial Accord, which is an agreement between the Tribes and the Governor, and has worked to negotiate agreements with tribes on the administration of cigarette and other taxes.

The organization supports DOR-sponsored community activities and encourages employee involvement. One example is the Agency's active sustainability program that focuses on extending our natural resources and participating in responsible citizenship. The plan focuses on improving the environment by diligently working to incorporate the principles of sustainability in our daily operations. The plan includes agency goals on reducing the use of virgin paper, recycling, petroleum use, and energy reduction. For example, DOR achieved its goal to increase the percentage of environmentally preferable paper purchased to at least 50% by September 1, 2006.

Other activities the Agency supports include:

- Washington State Annual Combined Fund Drive (CFD) campaign and charity events such as the Adopt a Family program during the holidays, "Well Fed, Well Read" campaign for children, and the Interagency Committee of State Employed Women (ICSEW) Clothing Drive (Figure 7.6-8)
- Regular blood drives
- Teaching high school students resume writing
- Partnerships with schools for high school and college interns
- Shared leave

In addition to monetary donations, many DOR employees are generous in donating their time by serving on local community, governmental, and nonprofit boards, commissions, and organizations (Figure 7.6-9).

2 Strategic Planning

2.1 Strategy Development

2.1a Strategic Development Process

2.1a(1) Strategy planning process: DOR has a mature and well-developed strategic planning process which culminates every two years in a written formal plan. The process has been in place since the late 1980s and utilizes a robust model depicted in Figure 2.1-1. The most recent plan was published in July 2006 and is a 150-page document that provides a comprehensive description of DOR's work environment as a tax administration agency and an outline of each of the 51 strategic initiatives selected for implementation.

DOR's SBP process sets direction, establishes priorities, prompts innovation, and provides accountability. The plan has both a long-term and short-term horizon and establishes alignment with the agency vision, mission, and goals. Short-term projects are those that are less than two years, and long-term projects are those that are planned for completion within two to five years and are normally carried forward in the next plan. The plan's progress parallels the state's fiscal year calendar, and a new plan is created each biennium, with a five-year emphasis. This time frame allows the Agency to factor in new workloads, efficiencies, increases in productivity, customer needs, and to operate within budget constraints.

The final SBP, particularly the initiative section, reflects a planning process that incorporates ideas, feedback, and input from employees, business associations, stakeholders, and customers. Initiative proposals are developed in a number of ways depending on scope and scale of the activity or issue, ranging from line staff brainstorming ideas to interdivisional quality teams. Requesting feedback from customers as well as staff continues to play a key role to assure that both the issue and proposed solution is clearly understood and unintended consequences are avoided.

Initiatives must consider environmental conditions and trends, current and ongoing activities, assessment of performance, and support of statewide results. Initiatives are at the tactical level and tied to agency goals. Each of the proposed initiatives are carefully reviewed at the division level and evaluated in terms of what issue the initiative is addressing, the value it will create, and at what cost. Proposed initiatives must directly contribute to agency objectives and goals. Each initiative identifies the lead division, participating division(s), and an estimated start and end date. The proposed dates may be revised based on a ST review of internal capacity in competition with other projects, support of new statewide programs, legislative impacts, and budgetary issues.

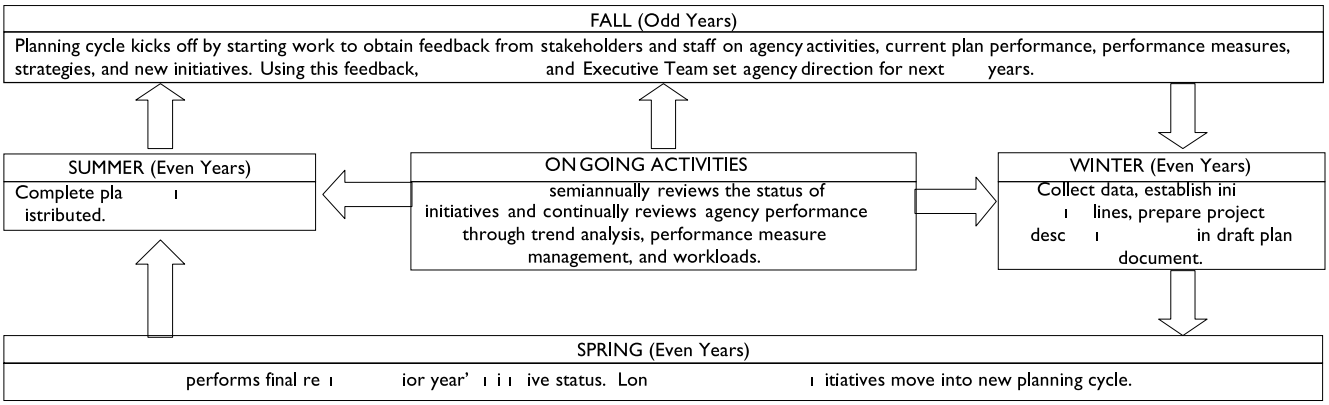
The ST is responsible for making the final decisions on which proposals will go into the plan. The ST engages in a comprehensive review, critiquing each of the proposed initiatives and prioritizing them based on a tier scale. Tier 1 initiatives have the highest level of commitment and may require current activities to be adjusted. Tier 2 initiatives are very important but must be considered against other ongoing initiatives and activities if funds are not sufficient. Tier 3 initiatives are beneficial to agency programs but will only be pursued if they do not infringe upon higher level priorities.

2.1a(2) Addressing key factors: One of DOR's strengths lies in the history of creating, developing, and deploying the SBP. As part of this process, the Agency reviews its mission, goals, and values. Goals, strategies, and initiatives are the main drivers behind communicating the top priorities that support the vision and mission. Although these goals have changed over the years, the core themes behind them have remained essentially the same.

The SBP process involves a number of practices that are deeply ingrained into the DOR culture, ensuring the organization is responsive and adaptive. Key to the Agency's success is the high value placed on using data to make decisions and use of quality tools and teams to evaluate comparative position. DOR's adopted management process shown in Figure P.2-3 continues to prove successful. Under Step 1 - Assess, the Agency focuses its efforts to gather and analyze data from a variety of sources and uses tools such as the TSS, ESS, Baldrige self-assessment, business trends, performance measure data, stakeholder feedback, and IA results.

The Agency is able to monitor early indicators through these tools, and in 2003 Governing magazine named Washington DOR as one of only six states deserving of a four-star rating for quality tax administration. This recognition noted that Washington was the first state to offer an Internet-based electronic filing and payment system for businesses and to develop the online geographic information system to provide for correct local tax coding. Both of these efforts were SBP initiatives and excellent examples of how the Agency collected information on taxpayer needs, explored new technology, and successfully implemented innovative online services.

Figure 2.1-1: SBP Planning Cycle



In 2004 the FTA named DOR the winner of its Compliance Program in recognition of its Data-Driven Decisions (3-D) Initiative. The 3-D Initiative, which stems from the Agency's SBP process, sets a goal of identifying and reducing noncompliance through the innovative use of targeted education and other compliance measures. The award noted the Agency's history of using stakeholder feedback, reporting data, and business trends to make informed decisions and identify areas for improvement.

For nearly a decade the Malcolm Baldrige National Quality Award criteria have driven DOR's internal improvement efforts. In 2004 DOR was the recipient of the FTA Award for Outstanding Management and Organization Initiative. The Agency was recognized for expanding a humble quality improvement program into a "holistic, integrated" effort to improve operations by weaving together quality improvement, strategic planning, and customer and stakeholder feedback.

DOR's strategic planning reflects a commitment to plan for and invest in future technology needs. To keep abreast of statewide trends, staff participate on DIS committees responsible for technology oversight and various statewide technology initiatives. At the national level the Agency participates in technology standards committees and tax technology industry groups. By taking these simple steps, DOR is better aware of security issues, risk management, information technology, and the need for redundant systems for disaster recovery.

The Agency also recognizes the need to sustain vital services that are operational in case of an emergency. DOR has an active safety committee and a comprehensive Emergency Operations Plan (EOP) which provides information on natural and man-made disasters. In addition, the Agency has a Business Resumption Disaster Recovery Plan. This plan outlines the necessary steps to keep critical information technology infrastructure, facilities, and key functions up and running. DOR has a Sustainability Plan that was implemented in 2003. The plan addresses the importance of short- and long-term commitments to the environment. The plan addresses building leasing, energy conservation, commute trip reduction, recycling practices, and procurement of environmentally friendly products. DOR's IT Portfolio is a comprehensive look at the Agency's IT plans, resources, projects, and investments. It provides a meaningful context to assess the probable impact of IT investments on DOR's existing programs and IT infrastructure as well as on the state's IT infrastructure. The IT Portfolio is updated annually in conjunction with agencywide planning and budgetary processes. DOR also has a Security Program plan that is revised each year to reflect changes in the Agency's current IT environment and compliance with ISB Security Standards.

2.1b Strategic Objectives

2.1b(1-2) Key strategic objectives and addressing challenges: Figure 2.1-2 reflects DOR's key initiatives that are prioritized and tied to agency goals, strategies, and key customers.

Figure 2.1-2 Strategic Business Plan Alignment

Goals	Strategies	Initiatives	Tier	LT/ST	Stake-Holders
Make Conducting Business with the Department as Clear and Simple as Possible	Ensure Customers Have Access to Information and Educational Materials That are Easy to Understand	Internet Website Enhancement	1	ST	All
	Promote and Participate in Statewide Approaches for Delivery of State Services	Enterprise Business Portal	1	LT	All
	Use Technology to Make it Easier for Customers to Conduct Business in a Secure Environment	Online Taxpayer Account Information	1	ST	T,S
	Make it Easier for Taxpayers to Report and Pay Their Taxes	Payment Options in Field Offices	3	ST	T,S
Recruit, Develop, Retain and Value a High Quality Diverse Workforce	Use Proactive Methods to Attract and Retain Highly Qualified and Diverse Employees	Diversity Program	1	ST	S
	Develop Employees' Skills, Knowledge, and Abilities Through Training and Education	Training Program Coordination	2	ST	T,S
	Prepare for Workforce Transitions Through Succession Planning	Succession Management and Workforce Development	2	ST	S
Seek Efficiency, Improvement, Innovation, and Accountability in Department Programs	Enhance Organizational Efficiency and Continuity Through Process Improvements and Technology	Quality Program Enhancement	1	LT	S
		Geographic Information System Enhancements	2	ST	All
		Unclaimed Property E-claim Enhancements	3	ST	T,S
	Develop and Use Data and Information to Make Better Decisions	Data Warehouse Enhancements	1	LT	T,S,O
		County Property Tax Data Management	2	ST	S,LG,O
	Make Information More Readily Available to Employees and Customers	Employee Intranet Resource Center Redesign	2	ST	S
		Taxpayer Correspondence Workflow	3	ST	T,S
	Develop Creative and Innovative Solutions While Maintaining Department Accountability	Enterprise Risk Management	1	ST	S,LG,O,Leg
		New Business Packet Process Analysis	3	ST	T,S
Build and Strengthen Open and Collaborative Relationships with Each Other and Our Customers	Foster a Culture of Open Communication, Teamwork, Collaboration, and Respect	Agency Communication	1	ST	T,S
	Create and Strengthen Collaborative Local Government and Stakeholder Partnerships	Local Government Partnership	1	LT	S,LG
	Resolve Issues in a Fair and Timely Manner	Appeals Case Management System Integration	3	LT	T,S
Promote Correct and Timely Reporting and Payment of Taxes	Ensure Taxpayers Have Access to Accurate and Concise Information Regarding Taxes They Owe	Bill Pay Application Expansion	2	ST	T,S
	Assist Taxpayers with Reporting and Payment Responsibilities Through Education	Alternative Language Services Review	2	ST	T,S
	Reduce the Amount of Unreported Tax Through Education and Enforcement	Electronic Case Management System	1	LT	T,S,O
		Noncompliance Study of Unregistered Taxpayers	3	ST	All
	Encourage use of Electronic Transactions at Every Opportunity	Employee Use of E-file	1	LT	S
		Electronic Billing Of Assessments	3	ST	T,S
Promote Fairness and Consistency in the Development and	Timely Develop and Communicate Clear, Consistent Interpretation of Tax Law	Appeals Program Review	2	ST	T,S
	Enhance Taxpayer Involvement in Tax Policy Development	Taxpayer Involvement in Tax Policy Development	2	ST	All
Application of Tax Law and Policy	Improve Tax Policy Communication and Tax Law Training within the Department	Tax Application Training	1	ST	T,S
Provide Tax Information and Analysis that is Forward-Looking and Responds to the Changing Business Environment	Identify Long Range Industry Trends and Practices to Help Develop Policies that Foster Economic Growth	Trends in Industry Practices	1	ST	All
	Actively Participate in National and Regional Efforts to Streamline and Simplify Taxes	Streamlined Sales Tax	1	LT	All
	Provide Timely Tax Information and Advice to the Governor, Legislature, and Other Stakeholders	Fiscal Note and Bill Tracking Reporting System	1	ST	S,LG,O,Leg

Tier 1 Essential – Initiatives with DORs highest level of commitment (may require current activities to be adjusted), Tier 2 Important – Initiatives that are very important but must be considered against other ongoing initiatives and activities if funds are not sufficient, Tier 3 Beneficial – Initiatives that are beneficial to DOR programs, but will only be pursued if they do not infringe upon higher level priorities, ST: Short term, LT: Long Term, T: Taxpayers, S: Staff, LG: Local Government, LEG: Legislature, and O: Other.

A continuous challenge has been meeting the needs and expectations of a diverse customer base – meaning a range of sophistication around technology and capacity among taxpayers, and a range of sizes and activities among customers and stakeholders (Figure P.1-4). The Agency addresses these challenges not only through the SBP initiatives but also through current and ongoing activities. In addition to relying heavily on using data to make decisions, DOR constantly looks for ways to solicit customer and stakeholder feedback. For instance, the Agency expanded its outreach efforts in the past two years by coordinating small business roundtable events and creating a Local Government Advisory Council (LGAC). The feedback from all of these tools is used to develop the Agency's current SBP as well as to immediately identify areas for improvement.

These actions directly contribute to DOR's ability to balance customer needs in accomplishing ongoing activities, plan for new SBP initiatives, and meet the strategic challenges as listed in P.2-1. This allows DOR to find new ways to be efficient and productive in order to operate within budget constraints, yield information technology solutions, and leverage technology expertise. It provides feedback on customer expectations, demand for information, and security concerns.

2.2 Strategy Deployment
2.2a Action Plan Development and Deployment

2.2a(1-2) Developing and deploying action plans: ST members work either collaboratively across divisions or within their own division, depending on the scope and scale of the issue, to develop and deploy action plans. Short-term needs and projects have simpler plans, while long-term projects are largely found in the SBP in the form of initiatives. Occasionally priority projects are completed outside of the SBP process.

All action plans and initiatives involve the designation of a lead, identification of cross-divisional impact and expertise, deadlines and milestones, with progress reports as needed for accountability. Action plans that have wider impacts and higher risks have more detailed and formalized plans commensurate with the level of risk. Stakeholders and users are consulted during the development and deployment stages and may also participate in usability testing of new online applications, web site enhancements, and other processes. The timing and appropriateness of this outreach is typically part of the action plan and is decided on a case-by-case basis. Likewise, communication, implementation, and maintenance plans are part of most action plans.

Progress on initiatives is monitored and tracked throughout the year and is adjusted in response to new information. Success of these objectives has depended on the stability of the SBP process, ability to shift resources quickly, use of project plans, and open communication. A communication plan is developed to roll out the final plan, featuring articles on the Intranet site that highlight agency goals and demonstrating how it applies to the Agency's mission and employees' day-to-day work.

Because of DOR's concerted effort to use technology to make government more efficient and user friendly, more than 80% of the Agency's SBP initiatives usually require the allocation of Information Services (IS) resources. In 2004 the Project Management Body of Knowledge (PMBOK) Guide, a formalized project management methodology, was adopted by the IS division. IS staff utilize this project management framework to address factors such as project integration, scope management, time, cost and human resource management, quality assurance, communications planning, risk analysis, planning, and control.

DOR feels strongly that the PMBOK methodology is responsible for building credibility into IS project management. The Agency has embraced this methodology and continues to share the concept with others. The Nebraska Department of Roads Business Technology Support Division adopted DOR's manual, forms, and project management methodology in 2006.

Detailed information and updates on all of the IS ongoing and SBP projects can be found on the Intranet site. The site is easily accessed and contains information related to each project such as its charter, requirements document, meeting minutes, milestones, project status, testing information, delivery dates, change requirements, and milestone completion.

Progress on all of the SBP initiatives, including those that have allocated IS resources, are reviewed by the ST on a semiannual basis. Lead divisions are required to report on their project's status. The reports are in person and take place at ST meetings, helping to provide a formal process to evaluate progress and support mid-course corrections. ST members have annual performance agreements that include deliverables on SBP initiatives, other key projects, progress on performance measures, and other expected results. In addition, the IS division also holds quarterly meetings to provide ongoing communication regarding project status.

All of these efforts ensure that the Agency maintains its proven track record of being able to successfully execute the SBP. For instance, in the July 2004-June 2011 SBP, 40 initiatives were identified with 17 of those completed or near completion. Two were considered ongoing projects, two were abandoned, and 19 efforts continued as new initiatives in the July 2006-June 2011 Plan.

The SBP is used to communicate with staff, citizens, and stakeholders. Because it gives context over time to ongoing efforts, it is used as both a resource and operational plan and is considered a "living" document. The SBP is accessible to the public and staff through DOR's Internet site as well as being located on the Agency's Intranet web site. Hard copies of the plans are distributed to the ST, OpsTm, and OFM. Limited copies are available in field office locations and every employee received a brochure summarizing the SBP.

2.2a(2) Establish and deploy modified action plans: Delay and/or modification of projects can occur with implementation of new legislation. Each year DOR tracks and analyzes bills of interest and prepares fiscal notes on those legislative proposals that will impact the organization and stakeholders. Once legislation is signed into law, an implementation plan is quickly developed to address taxpayer education, tax return revisions, and impact on existing IS applications. Many of these changes must occur within a short timeline, which may mean shifting of resources and impact to an SBP IS project.

When these types of changes are required, the lead division will work with IS staff to acknowledge a temporary shift in priority and

staff reassignment. Depending on the time required, it may trigger changes to the project management plan. Additions, modifications, and/or revisions are reviewed with key users and are managed through the Integrated Change Control process.

To foster open communication IS leadership staff conduct quarterly System Administrator meetings. Current and new efforts are reviewed with the ST and/or their designated representatives. Updates are provided on project status, fostering discussion on schedules, staffing, and other IS-related concerns. ADs or their representatives play a direct role in modifying IS priorities.

Initiatives are also reviewed during DOR's ST semiannual meetings which are devoted to sharing budget information and progress updates. The ST is required to provide a review of the progress on each initiative and respond to questions. Concepts may be expanded, reduced, delayed, or placed on hold. If necessary, priorities may be reset and resources reallocated based on these discussions.

2.2a(3) Key short- and longer-term action plans: Figure 2.1-1 documents SBP short- and long-term initiatives that support key strategies and overall goals. These initiatives are prioritized and address customer needs identified through surveys, forums, advisory councils, and usability testing for processes such as new online services.

One of the greatest challenges DOR continues to face is the ability to use cutting edge technology and meet customer demands. Greater reliance is being placed on automation and electronic means of sharing information externally and internally. With the increased use of and reliance on automation, there is a public expectation for more online services and information. The Agency has enjoyed continued success in implementing technology through effective development and deployment strategies. For instance, DOR's nationally recognized E-file program was an SBP initiative conceived a decade ago and Washington became the first state to implement this type of technology. The trend continues with a number of current SBP initiatives such as enhancements to the Internet web site, E-file application upgrade, enterprise business portal, Geographic Information System (GIS), and Unclaimed Property E-claim system.

2.2a(4) Key human resource plans: DOR has a centralized HR division that administers formalized systems, processes, and programs to help recruit, develop, and retain a high quality, diverse work force. The SBP is the key planning tool used to prioritize initiatives and strategies to help address increasing competitive job markets, higher turnover rates, including the retirement of experienced staff, and sweeping changes in the state's personnel systems.

The current SBP has several short- and long-term human resource initiatives that address the recruitment of highly-qualified diverse candidates and long-term retention of highly-qualified, skilled, diverse employees through succession planning. Another initiative creates a more formal agency training system that all divisions and employees can use, with division-specific training as well as agency-level courses.

In addition to those SBP initiatives, the Agency also has a Recruitment and Retention Plan, Training Development Plans, Risk Management, and a Safety and Health program. The Agency monitors key human resource performance objectives through its HRMR GMAP updates.

2.2a(5) Tracking progress on action plans: Every two years the Agency reviews the SBP's goals and strategies. Current and ongoing activities are reviewed and new initiatives are selected that are tied to agency goals and key performance results (Figure 2.1-1). Intense scrutiny of the goals during the SBP process over the last dozen years has resulted in only slight modifications, validating their soundness and how fundamental they are to agency work. In 2005 a new goal was added to address the issue of a changing business environment.

DOR allocates resources based on key strategies to achieve its goals and to meet customer needs during the budget process. An activity inventory is monitored to make sure that the Agency is supporting statewide results and meeting its performance measures. Priorities are embedded throughout the SBP and tied to specific strategies and goals.

To achieve organizational alignment and track progress on key measures, DOR conducts monthly GMAP sessions as discussed in 1.1b(2).

2.2b Performance Projections

A summary of key performance measures and corresponding results is shown in Figure 4.1-1. Targets are set based upon information on best practices, budget considerations, and previous performance achievements. The ST is responsible for assessing their divisions' performance objectively and seeing where benchmarking can improve performance, reduce costs, and improve services.

Benchmarking helps provide a comparison of how DOR ranks against similar organizations and allows for meaningful comparisons. Recently the Agency has been involved in activities such as an FTA nationwide benchmark effort, a Florida Department of Revenue benchmark exercise, and a statewide agency call center effort. Beginning in May 2005 a nationwide audit performance indicator benchmark project brought together 15 states in a series of teleconferences to benchmark audit processes. The effort continues today and allows staff the ability to review benchmarks and best practices to see how DOR can identify the optimal number of field auditors to have with the objective of maximizing audit presence and getting the highest voluntary compliance possible.

The Agency utilizes benchmark data to evaluate current performance measures, set short-term year performance improvement targets, and uncover opportunities for improvement. Many, if not most, of these measures are reflected in the Results category. Gathering benchmark information is important, but providing a means to share it is just as vital. As a result of RCW 43.17.390 (HB 1970), DOR conducted an Agency Self-Assessment. Although internal focus groups commented that benchmarking has a long history at DOR, the ET and ST identified the need to develop an organized system to share best practices across the Agency. A team comprised of Program Managers researched methods and information sources used to identify best practices and reviewed best practice communication through management frameworks (ITIL, CobiT, MOF, and PMBOK). The team has identified a technology solution to provide an online Best Practices Resource Center that will be available to all staff.

3 Customer and Market Focus

3.1 Customer and Market Knowledge
3.1a Customer and Market Knowledge

3.1a(1) Identifying customers, customer groups, and market segments: As mentioned in P.1b(2), there is significant overlap between DOR's customers and stakeholders, and both are often consulted through multiple channels. Washington's tax system impacts every citizen in the state of Washington. Maintaining customer relationships is critical in administering a tax reporting system based primarily on voluntary compliance.

Identification of DOR customers and fostering effective customer relationships has been an integral part of the Agency's quality program which was formally created in 1991. From first contacts with individual businesses to ongoing stakeholder work with major business associations, DOR seeks to develop and improve its responsiveness, problem solving, and development of innovative services. The Agency responds to private citizens in areas such as estate tax, use tax, and unclaimed property. Additional customers include the Governor's Office, OFM, ERFC, the state Legislature, and other state agencies as well as local, federal, tribal, and foreign governments.

3.1a(2) Listening, learning, and determining requirements: The Agency uses a variety of approaches to obtain meaningful stakeholder dialogue and customer feedback (Figure 3.1-1). Examples include the four business roundtable events DOR hosted in Spokane, SeaTac, Yakima, and Olympia in 2005 which were attended by over 50 business owners and representatives. The Director and senior agency leaders listened as participants identified both what the Agency does well and how services could be improved. The events helped DOR gather input on programs, communication tools, policies, procedures, and opportunities for improvement. In response the Agency made changes, including developing an application for filing amended returns online and proposing legislation that was enacted that moved the tax return and payment due date to the 25th of each month. A summary report of the roundtables was sent to businesses and associations that participated in the events. The report was also posted and made available to employees via the Intranet site.

During that same year DOR hosted a roundtable event for local county and city officials. The purpose of the meeting was to get feedback on what was working well, what could be improved, and ideas for improvement. As a result a local government initiative was included in the SPB identifying the need to create an LGAC and Online Resource Center. The meetings provide an opportunity to discuss current agency activities, future priorities, and assistance in the creation of the local government web site.

In an effort to create greater transparency in state services offered to small business owners, DOR joined with the Governor's Office, LNI, ESD, and Office of Women and Minority Business Enterprises to host "Washington is Open for Business" roundtable discussions. Four roundtable events were held around the state during May 2007. Small business owners, business associations, and legislators were invited to the meetings. Agency leaders listened as business owners discussed the difficulties they encounter when they deal with state taxes, insurance reporting, unemployment, and work place safety regulations. DOR has used the feedback from these sessions to develop follow-up action plans and has committed to continue to look for ways to address multiagency issues.

The Agency provides a multitude of services to accommodate the state's culturally and physically diverse population. Since the beginning of the year DOR has been reaching out to the Hispanic community to understand their needs. Staff has developed a working relationship with the Washington State Commission on Hispanic Affairs to determine how to best improve DOR's multilingual program. Since the first of the year DOR has translated into Spanish the Business Outreach Workbook, been a guest on a Hispanic radio station in central Washington, and was also featured on a Yakima television station.

By combining all of these listening and learning approaches, the Agency has been able to understand taxpayer interactions, interests, and gain insight into the services they need. In many cases DOR has been able to make immediate changes, create new SBP initiatives, and redirect resources.

3.1a(3) Keep listening and learning current: DOR recognizes that the business environment is continually changing. To keep current with the latest developments and best practices, DOR participates in national organizations such as the FTA, MTC, and WSATA. DOR works at the national level with these organizations to advocate sound tax policy by keeping current on, and influencing, national issues that impact the state. These issues include business activity tax (BAT) legislation, the moratorium on taxation of Internet access, telecommunications tax reform and simplification, and legislation to permit member states of the SSUTA to encourage remote sellers to collect tax. DOR staff keeps abreast of changes in the tax environment through regular attendance at conferences, joint projects, and ongoing discussions with staff from other state revenue agencies and congressional staff.

DOR has also been involved in meeting with other state agency call center managers and DIS. During these meetings participants discussed call center measures, workload factors, measures of customer satisfaction, and federal call center standards. To increase performance the TIC staff volunteered to work on different quality teams looking at training, morale issues, and retention and recruitment issues. These findings were prioritized and teams were formed to implement ideas.

Listening to customers is part of the Agency's culture. DOR's Appeals Division has made it a priority to stay current with business needs and has an SBP initiative to make the appeals process more efficient and effective. An extensive benchmarking study and an evaluation of best practices have led to an expedited appeal process for appropriate cases, an expanded small claims process, and other improvements. In the TPS division, TIC calls and letter ruling requests are monitored to see where educational efforts can best be provided or if an administrative rule needs revision. Whether it is a balance due, audit, or other contact with an individual, DOR employees investigate or explore the validity of all comments or criticisms provided by individual taxpayers.

Figure 3.1-1 Key Customer Listening and Learning Methods

Satisfaction Surveys
- Taxpayer Satisfaction Survey
- Telephone Information Center Survey
- Customer Service Delivery Survey
- Appeals Survey
- Interpretations and Technical Advice Survey
- Post Audit Survey
- Online Web Survey
- Employee Satisfaction Survey
- Department of Personnel Climate Survey
- Research/Legislation and Policy Customer Survey
- Survey of Assessors
- Centrally Assessed Companies Survey

Internal Customer Surveys
- Interpretations and Technical Advice Survey
- Information Services Survey
- Research/Legislation and Policy Survey

Complaints
- Letters, phone calls, in person
- Online Compliment and Complaint Application
- Taxpayer Rights Advocate

Committees, Meetings
- FTA Board meetings and workshops
- WSATA and Western States Association of Tax Representatives (WSATR) Annual Meeting
- Multistate Tax Commission Meetings
- National Streamlined Sales Tax Meetings
- Business Association and Industry Meetings
- DOR and Tax Executive Joint Meetings
- Information Services Board
- Business Roundtable Events
- Local Government Advisory Council
- Governor's GMAP Forums on Economic Vitality
- DOR Internal GMAP sessions
- Property Tax Assessor Meetings
- Statewide Call Center Manager Meetings
- Washington Association of County Officials
- Tribal Liaison Meetings

Other/Informal Feedback
- Agency Self-Assessment
- Baldrige Assessment
- Data from Call Centers and letter ruling requests
- Appeals filed and rule-making activities
- Media
- Ad hoc meetings with taxpayers/stakeholders

Experts, Literature
- DOR Operations Research
- Web sites
- Journals
- Professional associations

3.2 Customer Relationships and Satisfaction
3.2a Customer Relationship Building

3.2a(1) Customer relationships: Building and maintaining customer relationships is critical to DOR's success. Newly registered taxpayers receive informational mailings that help them get started right, avoid costly filing errors, and introduce them to agency services. The Business Outreach Program brings local staff together with nearly 4,000 taxpayers each year in a workshop setting where they get an overview of Washington excise taxes and individual assistance tailored to a taxpayer's specific business activity. These initial contacts often form the basis for a lasting connection between a local business and a DOR representative.

The interaction does not stop with initial contact, as Washington's activity-based tax system has very specific impacts and rules for different kinds of industries. Some businesses tell DOR they feel overwhelmed with the number of regulations and the amount of paperwork required. In business roundtable events and surveys, businesses have indicated that they want to receive information specifically for their industry and be able to easily access information and assistance. In response DOR has emphasized educational materials targeted to particular taxpayer groups and conducts industry-specific workshops or seminars. The Agency's targeted education program features personalized "Plain Talk" letters that break information into manageable pieces and clearly explain what the taxpayer needs to do.

DOR not only values its relationship with businesses but also the relationships that it has with a variety of agencies, associations, customer groups, and governments. The Tax Executive Institute, AWB, WSCPA, Aerospace Futures Alliance of Washington, National Federation of Independent Business, Independent Business Association, and WSBA are among a few of the organizations that the Agency continually seeks input from or collaborates with to carry out tax administration and other activities. Efforts range from soliciting ideas and feedback on policy changes that would affect businesses to engaging them on how best to educate their membership.

In keeping with the spirit of the 1989 Centennial Accord, DOR has worked with tribal governments to resolve taxation issues. Cigarette compacts have been entered into with 21 of the 29 Tribes in the state. The compacts ended a decade-long dispute regarding taxation of cigarettes sales with the resolution being to keep all of the tax revenue with the Indian Tribe to expend on tribal services.

These examples reflect the types of activities that the Agency uses to build and increase customer satisfaction. The activities continue to evolve and play a crucial role in identifying and prioritizing SBP projects that help increase DOR's ability to meet its goal to "build and strengthen open and collaborative relationships with each other and our customers."

3.2a(2) Key access mechanisms: The success of a voluntary tax reporting system is heavily dependent on relationships. DOR believes taxpayers who are treated fairly and with respect are more likely to voluntarily comply with tax reporting requirements. Access is a fundamental component, so taxpayers and citizens can utilize a variety of mechanisms to access the Agency. They can visit field offices located throughout the state, correspond and request written

assistance, attend workshops, and place calls throughout the organization or call the toll-free TIC.

The TIC and Taxpayer Information and Education (TI&E) sections provide individualized services and instructions for taxpayers. In FY 2006 TI&E staff responded to more than 5,344 letters with 91% of them answered in less than ten working days. During that same period TIC answered more than 302,000 calls, providing assistance through its specialists or automated services. Over 75% of the 212,177 calls requesting personal assistance were answered within two minutes or less. Of the callers who were randomly surveyed:

- 95% agreed they received courteous and helpful assistance
- 96% agreed the assistance was given in a reasonable amount of time
- 96% stated the automated features were easy to use

While telephones and letters are important, there will always be the need for face-to-face, individual contact. To meet this need taxpayers have the option to seek in-person assistance at the front counters of local field offices. These contacts exceeded 123,000 visits in 2006. After several months of testing in the Tumwater office, DOR has installed an Internet-ready desktop computer in its Seattle office for customer use. With this new tool customers will be able to electronically file business applications or tax returns, pay invoices with credit cards, obtain agency forms, look up business or tax rules and laws, sign up for workshops or view online tutorials, search for unclaimed property, and access other agency services. Such kiosks will eventually be located in all DOR field office locations. Taxpayers also can take advantage of services like consultation visits where they spend two to four hours discussing their specific business activities with audit staff and receive reporting instructions without undergoing a formal audit.

Many taxpayers want to research their own information, and DOR is committed to providing an Internet experience that makes it easy to find basic reporting instructions as well as thorough background information for sophisticated analysis of a complex tax issue. The web underwent a user-centered redesign. The redesigned web site was introduced to the public in April 2007. The site employs a powerful Google engine that uses a unique algorithm to search document texts like a person would, seeking key words and phrases. A new Frequently Asked Question and Answer database was recently deployed which not only provides answers to key questions but asks users to rate the information they received. DOR uses a web analytics tool (Omniture) to track the key words web users are looking for as well as their behavior on the site. This information helps DOR better understand and meet customer needs. The site had nearly 316,000 unique visitors in January 2007.

The web site was recognized in 2003 by the Center for Digital Government and the Progress and Freedom Foundation for making the most progress in serving our customers through online programs and making government more accessible through technology. In 2006 the FTA selected DOR as the winner of their Award for Training in the category of the Best Use of Technology. The judges cited the Agency's use of web-based workshops and streaming video tutorials to complement traditional business outreach workshops held around the state. They also cited the narrated slide shows on industry-specific taxes such as the timber tax and other online services.

These service offerings have helped build a strong culture of service commitment. By emphasizing respect for taxpayers, professionalism, and establishing service delivery standards for accuracy and timeliness of response, DOR has set standards that customers have come to rely on and expect.

Figure 3.2-1 displays the service commitments that are monitored and posted on the Agency's Internet site.

Figure 3.2-1 Service Commitments

Customers can expect:

- Respectful interaction with Revenue employees
- Integrity in our services and programs
- Cooperation and responsiveness to inquiries and needs
- Professional and courteous treatment
- Continuous improvement of service delivery
- Accessible and clear information

The Department w ll

- Acknowledge phone calls by the next business day
- Acknowledge - il by the next business day
- Acknowledge correspondence within ten business days
- Greet wal -in customers in a polite and professional manner right away and indicate the approximate wait time for assistance
- Keep a current message on voice mail with the feature that the caller can press zero to speak with another staff member

3.2a(3) Managing, resolving, and aggregating complaints: DOR believes complaints are best handled by identification of potential issues before they occur and then developing education programs or making changes to eliminate the potential problem. To that end the Director, ET, and other senior staff meet with representatives of various associations that include the AWB and WSBA on a monthly basis to address their concerns and complaints.

However, despite the efforts to provide the best service possible, not every customer is satisfied. DOR has recognized the need for both formal and informal means of redress for unhappy customers for some time. In 1992 the Agency sponsored legislation to create the Taxpayer Rights and Responsibilities law. The law clearly outlines the treatment taxpayers are entitled to when they interact with the Agency. This legislation mandated the creation of a TRA. The TRA reports to the Director and provides an independent, effective system for problem solving when issues cannot be resolved through regular channels. The TRA also looks for root causes so that systemic, procedural, and organizational changes can be made to prevent the same issues from arising in the future. Immediate agency responses are often a key factor in resolving the conflicts stemming from advocate inquiries. During 2006 the advocate staff resolved l00% of the 50 requests for assistance within one business day.

Not every complaint rises to the level of requiring assistance from the TRA. To promote resolving concerns, DOR rolled out a new online feedback system for receiving customer complaints and compliments in January 2004. Customers can use the web form themselves, and an employee can complete and submit the form on a taxpayer's behalf when they receive verbal complaints or compliments. The system allows feedback to be quickly routed to the appropriate division for response. In FY06 the Agency received 517 complaints and compliments through this automated system.

3.2a(4) Keeping relationship building approaches current and providing customer access current with business needs and direction: DOR has conducted Baldrige assessments in the summer of 2000, fall of 2002, and fall of 2004. This self-assessment tool has provided excellent information on the overall agency framework and has showcased strengths and listed opportunities for improvement. One opportunity the Agency embraced was to provide a more comprehensive approach to gathering key customer and stakeholder input. Since the fall 2004 assessment the LGAC created, efforts were made to increase the involvement of stakeholders in the rules process and legislative initiatives, and the Agency sponsored statewide small business roundtable events.

DOR also actively utilizes benchmarking methodologies to keep current with changes in the tax administration field and explore new ways to provide access and improve service. Examples of the various benchmark activities can be found in 4.1a(2). One specific benchmark exercise was initiated in November 2005, implementing a plan to share performance measures and best practices with the State of Florida Department of Revenue. Information on measures, industry trends, and new programs are the topic of scheduled teleconference calls looking to share lessons learned and see how the organizations compare while exploring new innovations and ways to eliminate ineffective use of resources. At this time both revenue agencies have already shared information on direction and comparisons of call centers, future of enterprisewide contact centers, collection measures, and setting the balance between strategies and performance targets.

Outreach efforts to industry are crucial to the Agency's ability to learn more about changes in business practices and keep current on long-term industry trends as they relate to taxation. In the current SBP leadership prioritized an initiative to study industry trends.

As a result DOR recently hosted a telecommunications industry seminar to examine converging technology. The keynote speaker provided information on the future of telecommunications, industry representatives participated in panel discussions, and a luncheon speaker addressed national tax issues. This seminar was attended not only by agency staff but invitations were sent to OFM, CTED, Utilities and Transportation, legislative staff, business associations, and local government. The session was video taped and made available on the Intranet to all DOR staff.

3.2b Customer Satisfaction Determination

3.2b(1) Determining customer satisfaction, dissatisfaction, and loyalty: The Agency's primary survey tool is the TSS. Every three years DOR contracts with Washington State University Social and Economic Sciences Research Center (WSU-SESRC) to conduct this survey. This nationally recognized research center advises DOR on ways to improve the effectiveness of the TSS as a listening and management tool. The survey determines the effectiveness of services and operations while assessing customer needs and expectations. It serves as a baseline for the Agency to judge progress in improving the quality of its programs and is useful in analyzing trends. When completing this survey taxpayers are asked to answer many questions about the services, material, and programs provided by the Agency. Taxpayers are also asked to rate the quality of services they receive.

The 2004 TSS was the fifth survey administered by the Agency since 1992, and it was sent to 3,200 businesses. The sample of businesses was stratified into groups of taxpayers representing small and large businesses in each of eight industry groupings for both Eastern and Western Washington.

Compared to prior surveys, more taxpayers in 2004:

- Indicated contacts with DOR have been handled quickly
- Found contacts with DOR have been helpful
- Were pleased with the information provided during the contacts
- Were satisfied with the responsiveness of services

Although the survey reflects things that DOR is doing well, it also identified opportunities for improvement. To analyze the results of the survey, a team was formed with representatives from ten DOR divisions. The group reviewed the survey data in detail, looking for trends or specific areas that could be improved. The team compared survey results from 1992, 1995, 1998, 2001, and 2004. The group reached conclusions on what the Agency is doing well and developed recommendations for future actions or improvements. Highlights of the survey and changes made as a result have been published in DOR's Tax Facts publication.

Most DOR divisions conduct surveys focused on the specific services they provide. The intent is to measure efficiency, fairness, helpfulness, effectiveness, and the courtesy and professionalism of the DOR employees within specific programs. If appropriate, there are different versions of the divisional surveys for taxpayers and taxpayer representatives because their experiences with the Agency may differ.

Many of these survey mechanisms have been in place for multiple years and cycles. As a result they create baseline data that help evaluate change over time and measure success or failure of new initiatives. Through the use of the WSU-SESRC staff and an expert in-house research analyst, DOR can make changes to surveys that are statistically valid and capture new and changing customer requirements.

3.2b(2) Obtaining prompt/actionable feedback: Many of the survey instruments enable staff to take prompt and immediate action. For instance, callers to the TIC are randomly selected to receive surveys asking about automated features and the service they received from an agent. In addition, the phone equipment provides data on number of calls and key workload indicators. This information combined with the caller survey information provides comparison data and allows management to consider immediate changes to the automated features or make temporary adjustments in staffing levels.

Another example is the Audit division's effort to survey recently audited taxpayers. The survey measures taxpayers' overall satisfaction in the following areas: audit program, audit process, electronic records, sampling, completion of audits, audit summaries, and the Managed Audit Program. Upon analysis of the results, the Audit division published more extensive information on the web site about the services and programs they provide, including information about the benefits of using electronic records. With surveys like this, taxpayer input helps the division shape the audit experience into one that is easier and more effective.

In order to meet the expectations of technologically savvy customers, DOR conducts an online survey of web site users using a custom-built survey system. The online web survey gives the Agency immediate feedback in regard to ease of use and ability to search and locate information. This information is combined with data from the TSS and Omniture. Together these enable DOR to develop a comprehensive user profile. This profile is used to establish web site priorities, maintain a focus on user-centered design, and respond to customer concerns. DOR regularly conducts usability testing on its web site and online applications.

The Agency also uses its Research division to conduct operations research projects, gathering prompt and crucial feedback to help increase the efficiency and effectiveness of programs. In addition, Research staff conduct studies as requested or required by statute and compile data and provide technical assistance for the Governor, the Legislature, local government, the Agency, and others to support informed decision making. Recently the Research division committed efforts to develop and document survey processes and conduct studies as they relate to exemptions, digital goods, incentive descriptive statistics, and noncompliance of unregistered taxpayers.

For the past year DOR, along with LNI, ESD, CTED, and the Governor's Office, has been looking at the issue of business survivability. The multiagency team has been analyzing Washington's new business closure data by targeted sector, geographic regions, business size, and type. In addition, the team developed and conducted a survey asking business owners to provide more information about factors that significantly influence success and failure. A report was shared at the Governor's Fall GMAP forum. These agencies have responded with action items that they can immediately address and have made a commitment to continue to look at multiagency areas.

4 Measurement, Analysis, and Knowledge Management

4.1 Measurement, Analysis, and Review of Organizational Performance

With change occurring at an ever-increasing rate, DOR has always had a strong belief that it is critical to take time to assess where we have been, where we are going, and what factors influence the organization. The Agency's biennial SBP and budget efforts provide the opportunity to accomplish this reflection and plan for the future.

4.1a Performance Measurement

4.1a(1) Gathering, integrating, and using data: DOR employs a variety of diverse sources for gathering information to track performance, improve processes, maintain, and enhance the quality of our services. In August of even-numbered years a full version of the SBP is submitted to OFM with the Agency's biennial budget request. DOR is required to outline major activities, describe the work being done, the expected results to be achieved in each biennium, and to have at least one performance measure for every major activity. The measures determine whether the Agency is achieving or making progress toward that activity and toward statewide Priorities of Government (POG).

For the current biennium the actual performance measures attained for FY05-06 and the estimate for FY07-09 must be sent to OFM. Prior to the new fiscal year measures being submitted, DOR's Business and Financial Services (B&FS) Budget Office staff meets with each of the divisions. During these meetings current and proposed performance measures are reviewed to determine if they:

- Achieve the purpose of contributing to statewide results
- Are reliable, accurate, and verifiable
- Connect to challenging, yet achievable, targets
- Are stated in positive terms
- Can be obtained at a reasonable cost and effort
- Are understandable and relevant to citizens and stakeholders
- Cascade goals and objectives throughout the Agency and align down to operational levels

For a number of years the Agency did its best to use these traditional tools to measure its performance. With higher expectations and the prospect of fewer resources, DOR made a commitment to "work smarter" in order to succeed. In 2004 the Agency integrated internal and external tax-related databases and analyzed the information to identify compliance problems. The goal was to collect, clean, consolidate, and organize data from various systems or data sources so that staff could easily access, manipulate, and analyze it.

For these efforts DOR received the FTA 2004 Award for Outstanding Compliance Program. The award noted that the Agency had utilized a number of specific activities including developing a series of highly refined compliance studies, building a data warehouse, and using the analyses of taxpayer reporting history and levels of satisfaction to efficiently determine where to deploy resources.

The data warehouse is an excellent example of how DOR has been able to gather, integrate, and use data. The Data Warehouse Team was awarded the Fall 2004 Governor's Award for Quality and Performance for leveraging technology to deploy resources to address the sheer volume of taxpayers and revenue commitments. Enhancements to the application continue, and the results have been impressive.

Initially the first results included two components – a priority accounts list and a North American Industry Classification System (NAICS) industry analysis. These results were first used by audit managers to select businesses to audit and establish a seven-priority ranking level. Another result was the creation of "limited scope"

audits. By targeting identified problem areas, the Agency has been able to increase audit presence and increase the appearance of a "high risk of detection" within those industries.

Today staff has increased flexibility to be able to create customized reports as they are needed. With access to much more specific information, DOR has been able to continue to reduce audit time and generate more revenue. The data is also used to develop trends and model ranges of behavior and industries to help target education, audit selection, collection efforts, or payment plan options.

Databases and simulation models on Washington's tax sources, tax incentives, and exemptions also allow the Agency to provide useful information to the ERFC, Legislature, the Governor, local governments, and the ET for use in making policy decisions. The ability of Washington DOR to match income, wage, employment, and geo-coordinates for business location (using DOR's GIS technology) is unique among the states. National and regional economic data such as U.S. Census block level, IMPLAN business input and sales, and BLS consumer expenditures supplement state and local government data sources.

All of these methods help managers assess performance, manage risks, and increase proactive approaches to tax administration. The methods are used by the Agency consistently to track and make sure it is on target to meet and/or exceed key organizational performance. Figure 4.1-1 shows a summary of key organizational performance measures and workload measures listed by POG, OFM requirement, service commitment, and those slated for executive review.

4.1a(2) Selection and use of comparative information: Benchmarking activities enable DOR to achieve higher levels of performance and deliver better services to customers. The Agency makes regular use of the close network of other states' revenue administration agencies to uncover opportunities. Innovative breakthrough technologies and programs have come from sharing information and responding to other state revenue organizations via FTA's listserv and sharing best practices for FTA's TaxExchange web site. In addition, DOR actively participates and provides speakers at regional and national conferences on tax administration and tribal issues. In many cases, such as the IS division, solutions are benchmarked from the private sector.

Figure 4.1-1 Performance Measures

Performance Measure	Accountability Report	Category 7 Results
Annually Review Rules and Laws	P B E	7.5-4
Answer 75% of Letter Ruling Requests for Tax Information within 10 Days	E S	7.2-4
Answer 80% of Incoming Calls in 2 Minutes or Less	B E S	7.2-6
Clear 90% of Mainstream Regular Appeals not in Hold Status within 1 Year	P B E S	7.1-4
Employee Satisfaction Survey: Overall Satisfaction	B E	7.4-7
Evaluations Completed/Past Due	E	7.4-1
Increase the number of returns filed electronically	P	7.5-1
Maintain/Improve the Voluntary Compliance Rate for tax reporting	P	7.6-2
Minimize the Department's Cost (Cents) per $100 of Revenue	P B E	7.3-1
Number of Real Property Appraisals and Personal Property Tax Audits Complete	P	7.1-19
Percentage of fiscal notes having scheduled hearing dates that are delivered to OFM at least four hours before the hearing	P	7.5-11
Percentage of monetary unclaimed property claims processed within 30 days of receipt	P S	7.1-16
Percent of Taxpayers satisfied with Deptartment Services	B E	7.2-1
Process and Post Tax Returns within 48 Hours of Receipt; Correct Errors within 10 Days	E	7.1-11
Partial Payment Agreements	E	7.1-7
Refunds within 10 business days	E S	7.2-10
Total Enforcement Collections (In Thousands)	P B E	7.6-4
Total Revenue Collected	P	7.6-3
Verify and Process 99% of all UBI Applications within 2 Days	E	7.1-9
RED - Indicates Agency Performance Measures	P = POG Activity Inventory B = OFM Budget Book E = DOR Executive Review S = DOR Service Commitments	

Examples of benchmarking activities include:

- Biannual Human Resources Management Report comparing data on key performance management measures with other state agencies
- Audit study comparing 12 state tax administration agencies on auditor presence, productivity, and audit assessments
- Comparison of cost of collection, return on referrals and write-off rates, and survey of private sector including banking industry and private collection firms
- Assessment of E-file timeliness and errors
- Research comparison with 23 states on administrative features of fiscal note production
- Review of other states' system designs for Unclaimed Property (UCP) Internet applications
- Comparing 21 states for information on appeals in regards to volumes, timeliness, settlements, and administrative practices
- Survey of other states to determine standards and development of a rule for refund application, timeliness, and procedures
- Third International Technology Effectiveness Benchmarking Study – 2004 (New Zealand)
- State Debt Performance Audit

Although DOR utilizes an ad hoc approach for benchmarking, leadership has made a commitment to create a more formal program of planned benchmarking activities. Benchmarking is a key part of GMAP review, and inclusion of the data points are encouraged.

4.1a(3) Keeping measurement systems current: Faced with public perceptions of government, complexity of tax law, and demand for efficiencies and productivity, DOR looks for ways to be sensitive to rapid or unexpected changes. Taxpayers have difficulty understanding and complying with reporting requirements and rely on the Agency to provide clear, concise rules and instructions. DOR also works with legislators and their staff to identify potential problems in proposed legislation. The Agency must be aware and take into consideration the business climate and the economy, both in Washington and at a national level, and has an agency goal addressing this priority.

To help assess the needs of customers, the Agency conducts a TSS every three years. Other surveys include:

- Periodic surveys in field offices, TIC, and front counter locations
- Smaller surveys such as post audit survey, appeals and administrative rules surveys, and online "one minute" surveys
- Online surveys and usability testing

Other means of soliciting input include:

- Asking taxpayers to participate in committees, focus groups, and panel discussions to resolve specific issues or discuss policy matters
- Meeting with industries to discuss tax issues of specific importance to them and to gather ideas for improvement and possible legislative proposals
- Creating LGAC to build greater collaboration
- Holding DOR-sponsored Industry Trends Seminars to help develop policies that foster economic growth
- Participating at regional and national tax conferences

These methods provide a more systematic way to learn about changes in business practices and long-term trends in industries as they relate to taxation. By listening to stakeholders the Agency is able to gather important information to enhance tax policy development, increase communications, and respond to changing customer needs.

To understand the needs and expectations of its employees, DOR conducts an ESS every two years. After each survey Employee Feedback Sessions are held within divisions, and the ST evaluates the results for the Agency and their respective divisions. This feedback, combined with the findings from the DOP Climate Survey (CS), helps provide information on work force issues. Action plans are charted for divisional and agency priorities, posted on the Intranet site, and incorporated into an SBP initiative to monitor progress and accountability.

In September 2006 the Agency conducted its first agency self-assessment pursuant to RCW 43.17.390 and based upon the Governor's Management Framework. Employee focus groups were utilized to complete the survey between August 10 and September 11, 2006. Two focus groups were composed of quasi-random samples of employees. The third focus group was composed of ST members. Prior to meeting, members individually completed the self-assessment. Final review involved ST discussion and incorporation of the information gathered into a single set of agency ratings and priorities and action plans created and charted.

4.1b Performance Analysis and Review

4.1b(1) Reviewing organizational performance: Performance measures are reviewed, evaluated, updated annually through the budget process, and reported as outlined in 4.1(a). Divisions report actual versus estimated performance measures every month to the Agency's B&FS Budget Office. Performance measures are used by individual divisions to monitor workloads, activities, and trends. Performance results are reported to OFM, presented during the Agency and Governor GMAP sessions, and selected measures are slated for executive review on a monthly, quarterly, and annual basis as discussed in 1.1b(2) and illustrated in Figure 4.1-1.

All of these review processes tie together with GMAP, POG, SBP, OFM budget guidelines, and HRMR scorecard. The information helps provide the tools to measure key functions, monitor success, and provide for performance accountability.

4.1b(2) Translating organizational performance review findings into priorities: DOR is committed to its vision of achieving the highest possible level of voluntary compliance. Leadership places a high priority on using varied means in addition to audits to help promote taxpayer compliance. In 1996 the Agency was one of the

first in the nation to conduct a compliance study. Since that time DOR has continued to conduct compliance studies in 1999, 2003, and 2005. The results from these studies, combined with taxpayer reporting history, have provided information to determine where noncompliance is highly concentrated (e.g. identify tax trends by industry and size of business).

In 1991 DOR's Targeted Education Use Tax program, the first of its type in the nation, was created. The program, which was endorsed by business associations, uses Compliance Study findings along with mainframe tax reporting information to create a biennial targeted education plan. The plan concentrates mailing efforts to reach a broad number of taxpayers in specific industries to educate them on their reporting obligations. While initial education efforts were effective at generating additional revenue, many of the targeted businesses did not reply to the mailings. To increase the program's effectiveness the Agency used "Plain Talk" language in early 2003 to transform the letters. As a result, response to the mailings tripled. Later that year DOR partnered with WSU-SESRC and Arizona State University to conduct an Innovative Compliance Experiment. The purpose of the research project was to determine the most effective form of communication in terms of getting taxpayers to report use tax liability. Eight different letter types, each stepping up the perceived risk of detection in the minds of the taxpayers, were mailed to about 3,000 businesses in three different industries. 1,200 businesses served as control groups and did not receive letters. The experiment findings were analyzed and changes were made to the program. This new approach, replacing mass-produced, self-mail fliers, tripled the response rate and won the Governor's Quality Award for Internal Process Results in 2004.

The Targeted Education program was noted in the FTA press release as a key element in DOR receiving the FTA's 2004 Compliance Award. Today the program remains a critical factor in helping to educate taxpayers on their reporting obligations. It is less intrusive than an audit and has been presented at several regional and national tax conferences and at the Economic Vitality Governor GMAP forum. In FY06 taxpayers voluntarily remitted $4.3 million in additional revenue as a result of this program. Voluntary compliance is not tracked.

4.2 Information and Knowledge Management
4.2a Data and Information Availability

4.2a(1) Making information available and accessible: DOR makes data and information readily available and accessible to staff and its external customers. A wealth of tax information is available via the Internet. Information that is available includes tax laws, research reports, rules, forms, tax guides, tax publications, online tutorials, industry-specific guides, and forms for reporting. The GIS system that resides on the site allows taxpayers to quickly identify the applicable sales tax rate and location code that applies to their business.

DOR has also used technology to make it easier for customers to conduct business in a secure environment. The online services portion of the web site enables taxpayers or their authorized representatives to pay their taxes and provides the ability to view the status of the taxpayer's account. E-file taxpayers can view outstanding returns or credit information. They can also make changes to their accounts and utilize secure messaging to contact the Agency.

Taxpayer outreach is also provided through business workshops, industry-specific assistance, presentations at business association meetings, and distribution of timely and understandable information in publications like "Tax Facts." Brochures and guides are also produced regarding property taxes, estate taxes, and other smaller tax and fee programs, along with publications that provide data regarding tax collections and exemptions. These publications are available in hard copy and can also be accessed on DOR's web site.

The Agency's online Taxpedia service is designed for both employees and the public. The system allows users to search laws, rules, audit directives, and Washington Tax Decisions. It is updated on a regular basis and helps provide consistent and accurate tax information. It is user friendly, available 24/7, and receives over 27,000 visits per month. The system was the first of its kind in a governmental taxing organization and received an exemplary achievement award from the American Society of Public Administration/Evergreen Chapter in 2002.

DOR also supports many external data sharing agreements with cities, counties, and other state and federal entities, MTC, and the FTA. These exchanges of data are governed by formal information sharing agreements signed by all parties involved. They are monitored, and critical care is taken to make sure that IRS data is maintained under federal security requirements.

A variety of tools are used to enhance internal communication within the Agency. DOR's Intranet web site, which serves as a central point for accessing information, is a key communication tool and provides links and access to the state's Intranet and Internet web sites and other relevant materials such as employment-related information.

Employees can access a variety of mission-critical applications online. These systems are essential to business operations and consist of:

- Business Registration Management System
- Electronic Payment Management System
- Excise Tax Return Information
- Credit and Account Receivable Information
- Forest Tax
- Unclaimed Property
- Secure Messaging
- E-file

Other applications include:

- Appeals Review Tracking System
- Automated Collections
- Automated Leave System
- Automated Receivables
- Cash Receipts Reporting

- Electronic Case Management
- Imaging System
- Training
- eRecruit
- Travel Voucher System

These internal applications can be accessed through DOR's networking infrastructure in headquarters, field locations, and by out-of-state audit staff. E-mail is another effective way the Agency provides information to employees through messages from the Director, critical alert information, and general, day-to-day correspondence.

4.2a(2) Ensuring reliability, security, and friendliness: The Agency has a centralized IS division divided into three functional areas: Systems and Programming Services, Infrastructure and Database Services, and Information Security. The hardware infrastructure ranges from agency-owned, Hewlett Packard Non-Stop multiprocessor high performance computers, Microsoft servers, personal computers (PCs), laptops with varying processor speeds, and imaging scanners. DOR also has hundreds of job streams and processes utilizing the IBM mainframe managed by DIS. Currently DOR has standardized Microsoft XP as the PC operating system, and the DOR's Internet web browser is the Microsoft Internet Explorer 6.

DOR has joined the State Forest of Active Directory to establish network accounts and resources in proper balance with the rest of the state's network. To increase efficiency and minimize support requirements, the organization is moving towards consolidation of the number of agency servers. All network and web site connections have redundant routers, switches, firewalls, and UPS hardware to meet the goal of providing network uptime at least 99% of the time.

All hardware and software purchases are governed by DOR Policy 6.4.4 and require review and testing for network compatibility, reliability, usability, and security by the IS division prior to purchase.

All PCs have anti-spyware and behavior-based Cisco Security Agent software to protect against virus, Trojan, and worm attacks. E-mail systems are protected by Iron Port filters that remove and quarantine SPAM and e-mails containing malicious software prior to delivery to DOR employees. Employees must use agency protocol for passwords (combination of special characters and numbers) and are required to change these regularly. After their PC has been idle for 15 minutes, they have to reenter their password. All laptops are required to have encryption.

In the event of a security threat or alert, IS has the responsibility to disconnect unprotected and/or compromised devices from the network. If IS staff believe that the threat is critical to the security of agency information, agency work stations and servers may be patched immediately.

In addition, DOR has an Incident Response Plan and is a member of the Washington Computer Incident Response Center where state agencies work closely with DIS to prevent and respond to computer security or disaster incidents affecting agencies and the State Government Network.

DOR-developed software is built in accordance with the SBP following project management methodology and development life cycles. The IS Business Analysis group ensures close coordination of user requirements. Applications are independently tested in a separate test environment and user acceptance testing is conducted prior to rollout in production. Ease of use and user-centered design are key components of any new application and especially the Internet web site and online services.

In April 2007 the Agency unveiled a new user-centered iteration of its web site to the public and its employees. This latest version is the result of extensive customer research that included feedback from both internal and external users and usability testing with key customers. Research data included online surveys, in-person and telephone interviews, background on user preferences from like customers at other state agencies, and internal subject matter experts. All information located on the web site is written according to "Plain Talk" guidelines to ensure easy reading and understanding.

4.2a(3) Ensuring continued availability: DOR has a Service Recovery Plan (SRP) that guides the preparation and smooth and rapid restoration of operations after an emergency. The principal goals of the SRP are to save data, to save hardware, software and facilities, and to resume critical processes and restore data. The plan specifies who does what and how. The SRP is reviewed annually and updated as needed. An annual verification letter, signed by the Director, is sent to the ISB and is included in DOR's IT Portfolio, which must be completed by August 31 of each year.

The IS main computer facility has UPS batteries for power interruptions and surges. The Agency has a backup diesel generator for prolonged interruptions that can power the mainframe and all critical servers. The computer facility has a raised floor for air circulation and flood protection and motion sensors that are monitored by Mountain alarm systems during off hours. There is a temperature-controlled monitoring system that pages staff in the event the temperature becomes higher or lower than preset limits and an FM200 system for fire suppression.

Hardware and software maintenance contracts are in place for the mainframe and network devices to ensure continued availability. There is a weekly offsite storage program with Iron Mountain for backup tapes of network and mainframe data. There is a currently an initiative in the SBP to build a disaster recovery site and to implement redundancy.

4.2a(4) Keeping hardware and software current: The IT Portfolio aligns with the SBP and budget and is updated annually. The Portfolio is a comprehensive look at DOR's IT plans, resources, projects, and investments. The Portfolio details DOR's technology infrastructure as it relates to current and projected IT budget expenditures.

The current Portfolio outlines estimates and actual costs for FY01 through FY06. Estimated cost projections can be found for FY07 through FY09.

The Portfolio outlines budget information for the purchase and/or lease of hardware and software, costs for telecommunications, and end-user training. It also reflects those expenditures associated with data processing services provided by DIS. For FY06 through FY08 the plan details the number of current and planned replacements of personal computers and servers, network connectivity goals, and migration of desktop office suite. The Portfolio can be found on DOR's Intranet site and helps focus on strategies that direct IT resources and spending toward efforts that best support the Agency's business objectives.

4.2b Organizational Knowledge Management

DOR uses several in-house methods to share knowledge and information such as the Agency's Intranet, Internet, messages from the Director, e-mail, staff meetings, and training opportunities.

Through DOR's Intranet site, InsideRevenue, employees have instant access to information on work force issues, policies and procedures, guides, newsletters, and manuals. The site also contains information about ongoing and upcoming efforts with industries as they relate to rules, interpretative statements, industry guides, and legislation. Each division has a section on InsideRevenue that allows employees to access a variety of information as it relates to their division's SBP plan, performance measures, newsletters, training manuals, and contact information.

Employees also take advantage of a variety of training opportunities to expand their knowledge and skills. These range from project management, leadership, information technology, and specific training for new auditors, TIC staff, and revenue agents. Employees also attend NEO, participate in Cross Training, and have the opportunity to job shadow.

With the challenge of facing an increase in the rate of retirements, the Agency is taking steps to prepare for work force transitions through succession planning. Efforts have been under way to look at auditor succession issues, and an initiative has been put forward in the current SBP to implement a succession plan.

DOR's Internet site is accessed by both employees and external customers. Employees and external customers both have immediate access to tax information, a tax rate lookup tool, online tax tutorials, and a query database for questions and answers. The site allows timely notification of new legislation and revision or adoption of new laws, rules, interpretative statements, and industry special notices.

DOR collaborates with a variety of agencies, associations, customer groups, and governments to develop tax policy. Knowledge transfer from these customers is accomplished through activities such as the rules development process, appeals, business roundtable events, joint meetings, speaking engagements, workshops, and advisory councils. To understand changes in industry business practices and long-term trends as they relate to taxation, the Agency has started conducting day-long seminars.

4.2c Organizational Knowledge Management

The Agency is continually making progress to ensure accuracy, integrity, reliability, and timeliness of data and information. Rewrite of the receivable computerized system has improved efficiency and controls. The E-file program continues to gain users and is a major focus, helping to reduce the time required to get data online and available. E-file has logic built into the application to help calculate tax due, verify compliance with tax rules and regulations, and reduce the potential for error. Use of a one-entry system to image and data capture excise tax return information has been successfully implemented, providing online access to employees statewide.

To make sure the Agency is in compliance with the law and to minimize risk, an IA function serves as an independent appraisal activity that provides support to management. IA staff perform independent and objective assurance audits, including reviews of general systems controls, internal controls over financial transaction streams, and compliance with laws and regulations. They test to ensure tax programs are administered according to legal requirements and that controls in place are effective and efficient.

Expanded use of the Internet environment calls for a greater need to ensure confidentiality and security of information. Since the Internet is becoming the preferred method to communicate and conduct business, several years ago the Agency deployed single-site logon technology to ensure secure communications as well as making information accessible only to authorized personnel. This service allows taxpayers and/or their designated representatives to conduct business and exchange confidential information in a secure and protected environment.

Each employee that is hired must sign a Secrecy Clause Affidavit to confirm they understand the confidentiality requirements related to tax returns and tax information. All employees are required to take the online training for security awareness and handling of confidential tax information. External audits for the appropriate use of shared data are conducted by the IRS and the ESD. Data sharing agreements are maintained and updated on a regular basis.

The Agency must also maintain compliance with the state of Washington's ISB security policies and standards. Each year a review and update of the security program is conducted and a letter signed by the Director is submitted to the ISB. That letter must verify that a review of procedures was conducted and that DOR complies with state security standards. Every three years an audit of the IS security program is performed by the IA staff or the SAO.

5 Human Resource Focus

5.1 Work Systems

5.1a Organization and Management of Work

5.1a(1) Organizes and manages work and jobs: DOR organizes and manages its work and services to carry out its tax administration duties. The organization uses the SBP process to focus on outcomes and make strategic decisions for the future. Divisions are structured around key products and services as described in P.1.a(1). Key work skills are organized, described, and communicated to employees through their position descriptions and their PDPs.

The ET and ST meet on a regular basis to develop, administer, and adjust agency priorities, objectives, and goals in support of DOR's vision and mission. Regular meetings between Senior ADs and their direct reports provide timely opportunities for discussion, decision, and action. "Information Sharing" is the first agenda item at every ST meeting, allowing for announcements and peer discussion around divisional accomplishments and challenges. Additionally, the ET meets annually with each AD and their management staff to review the division's accomplishments and discuss management challenges. Leadership uses regularly-scheduled GMAP sessions to review and manage key performance measures and make changes as needed.

Innovation and empowerment is fostered through the use of cross-functional and multidisciplined teams to support organizational objectives. These teams help provide employees with the opportunity to share knowledge, information, thoughts, and ideas while drawing on each other's strengths in an open and cooperative environment.

5.1a(2) Capitalizing on diversity: Employees are encouraged to actively participate in divisional, interdivisional, and multiagency teams that work on a variety of projects that relate to SBP initiatives, work processes, and outreach activities. As team members they are able to share ideas and actively look for ways to solve problems and improve agency services. Employees experience diverse ideas and approaches and broaden their personal and professional growth. They also gain a greater understanding of how their performance supports the vision, mission, and goals of the Agency.

To reinforce and institutionalize diversity, DOR has cultivated a work environment that values and promotes cross-cultural respect, understanding, and inclusion. From this foundation of diversity, the Agency seeks to broaden its work force diversity profile through a concerted program of recruitment and retention as well as outreach and collaboration efforts. Efforts include expanded recruitment pools as a component of the comprehensive strategic recruitment process and diverse interview panels. Cultural competency is an element of the applicant assessment process that considers how a candidate may contribute to the success of DOR in addition to assessing past education, training, and performance.

The Agency recently established a Diversity Program Planning Committee to develop a systemic program that will increase the diversity of the DOR work force and the long-term retention of highly-qualified, skilled, diverse employees. This committee will use proactive methods to attract and retain highly-qualified and diverse employees and develop a plan with employee "ownership," outline specific diversity goals, develop solid metrics, and integrate diversity with recruitment, selection, retention, and career development at DOR.

The Agency provides a multitude of services to accommodate the state's culturally and physically diverse population. DOR's employees assist taxpayers in more than 20 different languages as well as help provide special services to assist those with speech, hearing, and/or visual impairments. Since the beginning of the year the Agency has been conducting a needs assessment for enhancing its Multilingual Program and has met with other state agency representatives to determine the best approach to improve the program. DOR has made a serious commitment to adhere to the spirit of the Centennial Accord and is working towards an agency culture that regularly consults with the Tribes.

5.1a(3) Effective communication and skill sharing: DOR employs a broad range of methods to effectively communicate and share expertise and business information throughout the Agency. Interdivisional meetings, class training, and computer technology are regularly used to enhance and increase employee communication skills.

All employees have access to e-mail, allowing them to take full advantage of the ability to electronically communicate with staff internally as well with as other state and federal agencies and external stakeholders. Critical information is shared on an agencywide basis through DOR's "Critical Alert" e-mail system. Executive management regularly communicates to employees via e-mail with "Messages from the Director" and through feature articles on DOR's Intranet site "Inside Revenue." This site provides employees with access to a wide variety of important information and tools such as the SBP, updates on GMAP sessions, job openings, policies and procedures, division news, reference materials, team meeting minutes, and training manuals. The site allows immediate access to the Agency training class catalog, online training available, e-learning classes, external training opportunities, and supervisory courses. The Employee Center section on the web site has a wide range of employment-related information.

The ET and ST regularly visit field offices to communicate information about current activities and issues as well as to listen to employee ideas and concerns. DOR also evaluates data from the ESS for guidance in improving work force management effectiveness in communication and skill sharing. For instance, the 2005 ESS underscored the need to examine agency communication. As a result an employee quality team was formed to address communication issues. The results were recommendations to improve two key communication processes: the provision of guidelines and training and to update the Intranet site.

5.1b Employee Performance Management System

The Agency's HRMR is submitted every April and October and contains information on organizational planning and alignment, work force hiring, deployment, development, and performance reinforcement. The HRMR provides leadership with the ability to measure and manage key work force issues through the review of 28 standard performance measures and ultimate outcomes tracked by all state agencies. This allows for identification and sharing of best practices, access to benchmark data, and collective accountability to the state of Washington.

To reinforce performance, each permanent employee receives regular, formal, annual or semiannual evaluations using the PDP evaluation form. The PDP is a tool that helps support effective employee performance. The PDP process allows employee input on their performance expectations. During the performance review the tool is used to discuss key results expected. Managers and employees discuss key competencies the employee should demonstrate and the most important objectives, outcomes, and/or special assignments to accomplish in order to be successful. Performance expectations are tailored to the needs and key competencies of the job and refer to measurable or observable knowledge, skills, abilities, and behaviors critical to success. The PDP process helps foster learning and growth, identifying opportunities for the present job and career development. It also recognizes employee accomplishments.

The PDP evaluation is applied uniformly across the organization, and all work units are required to use the system and process. Compliance and timeliness are monitored through the Agency's Performance Evaluation Tracking System, a software application that provides supervisors with scheduled notification and data for conducting evaluations. HR staff track this information, review completed evaluations, and provide coaching and resources to ensure success of the evaluation process.

The system supports a customer and business focus by having managers identify the linkage of employees' positions to the organization's mission. Achieving that mission is critical to DOR operations and, as a result, the Agency solicits regular input from the TSS, ESS, online compliment/complaint tracking system, TRA log information, and other feedback mechanisms.

High job performance and excellent customer service is recognized through division retreats, award ceremonies, and an annual agencywide Employee Recognition Awards program. In 2006 DOR made improvements to the agencywide program which included more marketing and a new database to streamline the nomination system. As a result there were nearly 300 nominations, with the number of nominees exceeding 600. Recipients of the Leadership, Outstanding Employee, Customer Service, Project Team, Teamwork, and Field Office Awards received a surprise visit from the ET. Because of their extraordinary impact, two Project Team awards were recognized this last year.

For the third year in a row the ST put on their aprons and served pancakes to staff located in the Thurston County area during Public Service Recognition Week. These types of recognition activities help increase employee retention and motivation by fostering individual and collective pride in the Agency.

Although the Agency formally and informally recognizes staff, DOR does not have the ability to grant salary increases for performance for classified staff.

Compensation for a majority (approximately 75%) of the classifications utilized at DOR is governed by the CBA. This compensation system has a set salary range for each classification with a range of 20% between the bottom and top of the salary range. DOR cannot pay employees outside of that range and increases are set by cost of living increments, legislative action, and periodic increment dates. DOR's management and exempt staff have the opportunity to earn progression salary adjustments that are based on performance during the previous performance period. Increases of up to 5% per year may be granted in recognition of performance.

5.1c Hiring and Career Progression

5.1c(1) Identifying characteristics and skills: In order to identify characteristics and skills needed by potential and promotional candidates, DOR relies upon classification descriptions and identified core competencies. Core competencies are measurable or observable Knowledge, Skills, and Abilities (KSAs) and other behaviors critical to success in a key agency job role or function. DOR's use of competencies allows it to take a more holistic view of performance and serves as the central point for an effective Performance Management System (PMS), as seen in Figure 5.1-1.

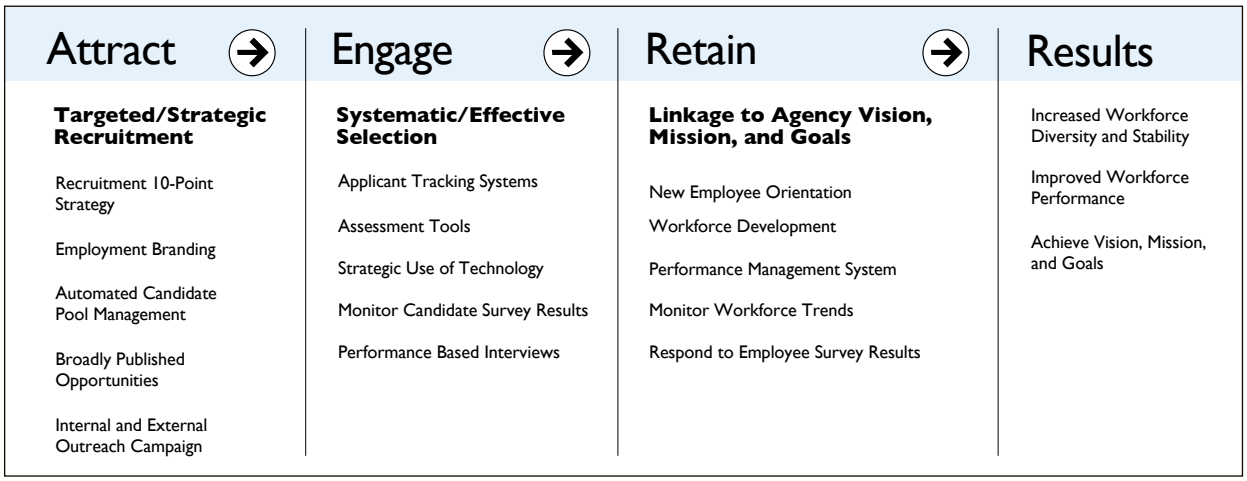
Figure 5.1-1 Performance Management System

DOR developed competencies by job class series for widely-used occupational categories. Subject matter experts from each job class series along with HR staff were involved in the development. They looked at what functions and duties are critical to a position. They also conducted a job analysis to determine what competencies are necessary for effective performance in those areas and at what level the competencies should be performed (basic, intermediate, independent) for each level.

DOR's Recruitment and Retention Unit (RRU) uses these core competencies to closely match candidates with the desired knowledge, skills, and abilities. The process for identifying duties and competencies is on a position-by-position basis using DOR's Position Description Form (PDF). The PDF information is linked to the recruitment process in two ways: it is integrated into recruitment assessment tools to qualify applicants and is used to describe the position in job announcements. An important component of the PMS is the review of the PDF to ensure that it accurately reflects the duties as well as the competencies needed for successful performance.

Competencies help in the recruitment process and identification of characteristics and KSAs required for new employees. They also serve as a resource for employees wishing to promote. Employees can refer to this information to help determine what they may need to acquire in order to be competitive for promotional opportunities within DOR or to improve performance in the current classifica-

Figure 5.1-2 Recruitment Process



tion. Information on core competencies and a Question and Answer section that provides best practices can be found on the Employee Center section of DOR's Intranet site.

5.1c(2) Recruiting, hiring and retaining staff: DOR has been experiencing a more competitive employment market due to ongoing changes in work force demographics and issues with funding competitive salaries. In order to meet these challenges, DOR's central RRU is located in the Human Resources (HR) division and concentrates solely on recruitment, diversity, and retention.

DOR's "Recruitment and Retention Strategy" plan focuses on key recruitment issues and utilizes innovative methods to guide the Agency in recruiting a qualified, diverse work force. Specific actions outlined in the plan include advertising in newspapers, trade publications, and on the Internet, as well as use of nontraditional proactive recruitment methods. The Agency participates in job fairs sponsored by universities and community-based organizations, uses extensive recruitment contact networks to identify qualified candidates, and utilizes the services of the DOP. College recruitment programs, student interns, and in-training designations are all used as flexible recruitment tools to access a broad pool of qualified candidates. Recently DOR has expanded its presence with college faculty, career services, and student and community organizations.

An interagency recruitment planning subcommittee was created from the Governor's Economic Vitality GMAP taskforce. With participants from LNI and ESD, this multiagency team has been reviewing data related to sourcing, impending retirements, turnover rates, retention efforts, and cost of vacancies. Impacts have been evaluated as they relate to average revenue loss per auditor vacancy, impact to the agencies and customers, and risks. The team is sharing ideas and information on best practices and developing programs that support strategic and targeted recruitment.

Developing and nurturing internal talent is crucial, and DOR offers a variety of incentives to retain its employees. The Agency has a generous tuition reimbursement policy and program which allows employees to further their education and be prepared for future promotional opportunities within the organization. The policy provides for payment of up to $4,000 per employee per school year to pay for the equivalent of nine quarter credit hours or six semester credit hours during any one academic period. DOR has reimbursed an average of 50 employees and $71,753 per year over the past three fiscal years, with a total of $212,259 for 152 employees. Other retention-focused programs include a range of internal and external training courses, flex schedules, job rotation, and flex-time as well as a strong recognition program that involves both informal and formal recognition.

Managers and supervisors are responsible for the implementation of DOR's Affirmative Action Plan. They are responsible for assessing training programs, hiring, promotion, and termination patterns for barriers to equal opportunity; assisting in establishment of diversity recruitment goals and objectives; and providing career counseling to encourage progression. To ensure a diverse applicant pool, DOR conducts targeted recruitment in communities and deploys "Onsite Action Teams." These teams are comprised of RRU staff and managers from DOR divisions who are trained to conduct targeted recruitment at job and career fairs, both in state and out of state. DOR includes diverse individuals in its interview panels and incorporates diversity awareness and competency as an element of its applicant assessment process.

5.1c(3) Succession planning and career progression: A succession management and work force development SBP initiative acknowledges the need to invest in employee development and grow talent from within the Agency. This committee is developing and adopting a comprehensive strategic succession plan with an emphasis on cross training, mentoring, and the development of leadership, supervisory, and management skills. The succession plan will foster the continued enhancement of leadership and performance-based work force culture, a deliberate means of knowledge transference for core agency business functions and processes, and provide guidance for employees in their development and competitiveness for future opportunities.

5.2 Employee Learning and Motivation
5.2a Employee Education, Training and Development

5.2a(1) Education contributing to action plans and balancing needs: DOR has had a training program in place for over 20 years.

The Agency uses a variety of tools to identify individual, divisional, and agency training objectives. This information is used in the design and development of the Agency's training plan. The plan provides a targeted approach for human resource development efforts and is a tool that may be used by managers and employees to prioritize training and development needs, allocate resources, and measure progress. The plan is updated periodically to ensure compliance with technological changes, legislative changes, and federal and state law training requirements. It also outlines roles and responsibilities for the ST, supervisors, employees, and the training unit.

The Agency's centralized Training Unit is responsible for identifying and communicating training and developmental opportunities available to employees that focus on targeted competencies and required training. The Training Unit also provides technical consultation and assistance to employees, supervisors, and the ST to address needs for staff development, ongoing learning, and career progression.

Employees complete a training development plan annually as a component of the performance evaluation process with their supervisor. These plans provide an opportunity to focus on training based on job responsibilities and individual development as well as linking the employee's performance to agency goals, strategies, and initiatives. To meet these demands DOR conducts in-house training, partners with other agencies and the DOP, and contracts with trainers when appropriate. In-house training includes leadership and management development, effective supervision, team facilitation, project management, work force management, communication skills, interpersonal skills, diversity, ethics, sexual harassment prevention, safety, and wellness courses. Each division has additional specialized technical training requirements and programs based on the type of work and services performed by the division. In order to address emerging technology, DOR maintains a computer training lab and offers in-house computer-related training on new hardware and software.

To promote higher learning, DOR has a generous tuition reimbursement program. That program allows permanent employees up to $4,000 in educational costs to be reimbursed over an academic year for qualified courses conducted by an educational institution, vocational school, or professional training organization. Employees may also take advantage of the "Tuition Waiver Program" available at state universities and colleges. The course and/or degree should also be identified in the employee's career development plan.

5.2a(2) Addressing organizational needs: DOR's last training needs assessment identified the need for a supervisor academy, cross training, NEO, most recent first aid, and ethics. In response, the Agency prioritized training, allocated resources, and offered training courses through a variety of methods.

The Supervisor and Manager Academy program identifies and recommends desired training for each level of supervision or management. The classes are organized to reflect both the level of responsibility and the length of time the individual has been in supervision. The list begins with training recommended for employees who are considering supervision and progresses through various levels of supervision and management to training recommended for individuals reporting directly to an AD. Courses are offered in a variety of locations. Some are sponsored specifically through the DOR. Other classes can be sought through the DOP and other outside organizations.

To address new employee needs, DOR provides a comprehensive, one-day, in-person New Employee Orientation (NEO) session which includes a presentation by executive management about the Agency and its vision, mission, and goals. In NEO employees receive training on key, required topics such as ethics, discrimination prevention, worker safety, whistleblower program, and computer system security. In 2006 the average rating on course evaluations was 4.43 on a 5.0 scale, and 99% would recommend the training to others. Employees can also access an online, self-guided NEO overview to DOR, its mission, services, and programs. The online information acquaints new employees with some of their benefits and agency policies as they relate to their employment and is meant to supplement the orientation provided by their supervisor.

Cross training continues to be popular. In 2006 the average rating on course evaluations was 4.1 on a 5.0 scale, and 95% would recommend the training to others. During these sessions the Director and Deputy Director meet with participants and the ST spends time talking about the work performed in their respective divisions. Through this training employees are able to learn more about the mission of the Agency, various functions performed by the divisions, and can ask questions about areas where there may be confusion or need for clarification.

Ethics was identified as a critical organizational need by ST and ET in 2004. Along with information posted to the web site, the HR AD provided half-day training to over 900 employees throughout the Agency in 2004 and 2005. DOR also requires training in discrimination prevention, safety, computer security, and whistleblower protection. HR staff provides training and consultation in applying core competencies and outlining how they tie to compensation, training, and development. With the use of technology, DOR provided online video training for the Public Records Act and handling confidential taxpayer information. The required training has been positively received, and participation is tracked.

Extensive training also occurs within the divisions. For instance, in July 2000 the Taxpayer Account Administration (TAA) Division prioritized the training of new examiners and created a centralized training unit (Figure 7.4-6). TAA's most qualified senior examiners were reassigned as trainers in the new unit. A structured training program was developed and implemented to include more than 40 key business processes, taxes, and systems. The program has improved the quality of work and increased the average dollars billed. Today the TAA training program is held as a best practice by the Agency.

Managers and employees can access and sign up for these types of internal and external training opportunities online through the Automated Training Registration System (ATRS). Compliance with required training is tracked through ATRS and provides training reports to supervisors upon request.

5.2a(3) Incorporating input from staff: DOR uses an array of tools to assess the educational, training, and developmental needs

of its employees. The Agency has been conducting a biennial ESS since 1987, providing 20 years of benchmark comparison data. The survey specifically asks questions relating to whether the Agency makes training and development opportunities available to prepare them for advancement or whether they are encouraged to participate in training needed to perform their jobs. DOR management also receives feedback from the performance management system, the statewide CS, and post-training evaluation forms. All of these mechanisms help DOR collect and analyze input to develop and modify agency training to make sure it is relevant and that it serves the purpose intended.

Training data is reported at internal GMAP sessions and the HRMR to make sure DOR is providing education and training that balances short- and longer-term organization human resource objectives.

5.2a(4) Delivering education and training: DOR combines numerous service delivery options for training and career development, including in-person training with DOR subject matter experts, e-learning, books, videos, external contractors, teleconferences, webinars, motivational speakers, and use of e-mail.

Because of the difficulty providing training on a statewide basis, DOR recently embraced a new online video tutorial approach. Taxpayers and employees alike are now able to access online videos on the Internet site on items such as specific industry information, business outreach, and instructions for completing the tax return. This year the Agency launched a new online video for Public Records and Secrecy Clause training on the Intranet site. This interactive training is only available to DOR employees, tests knowledge retention throughout the training, and tracks course completion and feedback.

5.2a(5) Reinforcing use of knowledge and skills: The Agency reinforces the use of knowledge and skills during the PDP effort. During that process employees receive feedback on items critical or key to their success. In addition, they also complete a review of the key competencies specific to the job. Each position must have a position description that is signed by both the employee and their supervisor. The position description outlines core competencies that are used during the PDP process. The core competencies are also used during recruitment efforts and are posted in job announcements and discussed with potential job candidates. Hiring decisions are based on the job applicant's ability to perform those functions and whether they possess the level of knowledge and skills required.

Many divisions have training manuals, and many of DOR's major job classifications have identified lead positions whose primary role is to provide training and serve as a knowledge expert for lower level classifications.

5.2a(6) Evaluating effectiveness of education and training: Besides tracking employee development hours and associated training costs, HR's Training Unit administers the evaluation of training courses and events through the use of an evaluation form. Attendees evaluate both the instructor and course content of each class. The evaluations are compiled and assessed to determine if the attendees considered the training effective in meeting the goals of the course. Suggestions for improvement are provided to the trainers, and the trainers are responsible for adjusting curricula accordingly. For some training participants are tested to evaluate the effectiveness of knowledge retention.

Effective learning requires a shared supervisor and employee commitment. Besides the HR training class evaluations, the effectiveness of education and training in DOR is ultimately determined through the PDP. During the performance evaluation process supervisors work with employees to determine the effectiveness of training the Agency has provided and assesses the employee's success in applying the new knowledge, both from the work unit and the Agency perspective.

5.2b Motivation and Career Development

DOR employs a wide range of motivational methods, including compensation and benefits, training, tuition reimbursement, career counseling, job security, good physical work environment, challenging work, flexibility, and opportunities to grow, develop, and promote. To track the level of importance of these factors the Agency has been asking employees in the ESS to rate each factor, indicating how important it is to them. ESS data from previous surveys create benchmark data, helping management to evaluate not only the importance of these factors but the employees' level of satisfaction. ESS divisional feedback sessions help provide staff with an opportunity to speak up on results and identify areas for improvement.

The PDP is completed on an annual basis and helps identify needs and training opportunities for the employee. Part 3 of the PDP, which can only be completed by the employee, helps them to provide suggestions on how their supervisor, co-workers, and/or agency management can better support the employee in their present job and future career goals.

DOR provides opportunities for employees to take career developmental job rotations to other positions within the Agency. The job rotation program assists employees in finding new career ladders. DOR's "Job Shadowing" program is a short-term, work-based learning experience that allows employees to observe and learn about work being performed by other employees, usually in jobs outside the employee's division. Many employees take advantage of DOR's tuition reimbursement program.

DOR provides career counseling for all employees to assist them in identifying career paths within state service and how best to prepare for their chosen career field. Career development classes are provided as well as "Competency-Based Development for Peak Performance" which assists employees in their long-range career plans.

5.3 Staff Well-Being and Satisfaction
5.3a Work Environment

5.3a(1) Improving workplace health, safety, security, and ergonomics: In order to ensure the health, safety, and security of its employees, DOR designed and implemented an Employee Health, Safety, and Wellness Program. Through this program the Agency provides employees, supervisors, and managers with the policies, procedures, information, training, and tools necessary to support health, safety, and wellness in the work place.

In 2004 DOR created an HR Risk Manager position in the HR division to ensure agency programs such as safety, wellness, and ergonomics are managed effectively. The HR Risk Manager coordinates the Agency Safety Committee (ASC) whose main goal is to improve safety within the organization. The ASC conducts building and vehicle inspections and accident reports, establishes procedures regarding safety-related issues, ensures compliance with Occupational Safety and Health Administration and Washington Industrial Safety and Health Act rules, and makes recommendations to the ET and ST. DOR also has safety subcommittees statewide at each of the field office locations, allowing the ASC to have a link to each field office location regarding safety issues. The subcommittees are responsible for holding regular safety meetings, distributing the meeting minutes to the ASC, scheduling and conducting evacuation drills, safety training for their office location, and building and vehicle inspections, with review and oversight by the ASC.

In October 2006 the Agency conducted its first annual agency Safety Conference for all the safety representatives. This conference will be scheduled on an annual basis to ensure our safety program and guidelines are applied consistently throughout the state as well as to discuss and address concerns identified in the ESS. DOR wants to also make sure new employees accept mutual responsibility in creating a safe working environment, so each supervisor is required to review and discuss the six major safety points on the New Employee Checklist.

Divisions with significant field operations, such as Audit, Compliance, and Special Programs, have personal safety procedures and guidelines that have been established to ensure the safety of employees in those locations.

In 2006 DOR expanded its Wellness Program, creating a committee that oversees wellness events. DOR conducts blood drive campaigns and on-site flu vaccinations. The Agency has participated in the statewide Northwest Games for the past 18 years. DOR equips buildings with bicycle stands and showers for employees. These showers also provide a valuable safety precaution if an employee comes in contact with a possible hazardous substance. In 1999 DOR established an ergonomic assessment program, including workshops for employees. Employees are offered the opportunity to have an on-site visit from an ergonomics analyst to assess work place needs.

In June 2002 DOR purchased and distributed Automated External Defibrillators (AEDs) for all DOR buildings. DOR offered training to ensure that employees who were currently First Aid/CPR certified were also trained on properly using the AEDs. First Aid/CPR/AED training is scheduled on a regular basis in every DOR building to ensure agency offices have first aid designees.

Employees must file incident/accident reports for injuries or illnesses that occur on the job. The ASC reviews the reports at each committee meeting to determine follow-up actions, identify similar incidents or trends, and determine how they can reduce future incidents. The HR Risk Manager tracks all accident reports, worker's compensation claims, and ergonomic assessments in a monthly performance measure system to determine if risks are changing within DOR. Currently 98% of employees are accident free.

5.3a(2) Emergency and disaster preparedness: The Agency EOP was created to provide emergency response organizational roles, guidelines, and a checklist of instructions to be followed in an emergency. The EOP was created in three parts, each specific to employee, management, and executive roles. Annual emergency drills are conducted. Currently the EOP is being revised to follow the National Incident Management System (NIMS) process created by Homeland Security. All key management personnel have been certified in the appropriate NIMS training. By completing the NIMS training all emergency management responders will be using the same communication language throughout DOR, the state, and nationwide regarding emergency management matters.

In 2005 DOR created a Hazard Mitigation Report. The report captured the progress DOR has made to implement the Washington State Enhanced Hazard Mitigation Plan. DOR has created a Homeland Security Plan which outlines the various levels of terrorist attacks and recommends actions the Agency must follow in the event of an attack.

5.3b Employee Support and Satisfaction

5.3b(1) Determining satisfaction factors: As noted in 1.2a(2), DOR has been using an ESS since 1987. The biennial ESS is independently administered by the WSU-SESRC, is anonymous, and is available both in paper and web-based formats. In 2005 the Agency had a response rate of 86.1%. Employees are asked to rate their satisfaction with career development, recognition, hiring and promotional practices, work climate, human resource practices, compensation, benefits and nonmonetary benefits, communication methods, service quality, morale factors, and progress towards agency goals. Employees are asked about their work unit and provide information regarding their supervisor, divisional leadership, and overall performance of the ET. There are also questions that relate to ethics, harassment, and discrimination prevention.

The survey results are calculated by division, location, tenure, manager, or employee status and provide comparative data from previous surveys. The ST analyzes the data, looking for areas that receive low ratings or have had a drop in satisfaction and identifying action plans. At the same time divisions conduct employee feedback sessions to identify and prioritize areas for improvement within their specific organization. In addition, they discuss those areas that the ST identified for potential agency focus in order to obtain more direct feedback and information.

Although a union grievance procedure has been in place many years, there has been a relatively low number of actual grievances filed by employees.

5.3b(2) Services, benefits, and policies: Employees receive compensation and benefits that are allocated and funded as part of the budget and legislative process. There are specific rules, policies, and procedures pertaining to work force management. There is a CBA for represented employees that is negotiated with the Union every two years. The agreement covers mandatory subjects of bargaining such as wages, hours, medical plan benefits, promotional preference, and other terms and conditions of employment.

The state provides eligible employees with medical and dental insurance. The state also provides $10,000 in basic life insurance coverage with eligible employees having the option to purchase additional coverage. A variety of leave is offered such as bereavement, Family Medical Leave Act, life giving leave, military leave, shared leave, personal holiday, sick, and vacation leave. DOR offers flex-time schedules (alternative work schedules) and flexplace (telecommuting) to its employees to help accommodate child and elder care concerns and commute trip reduction efforts. When employees need personal counseling services they may access the Employee Assistance Program without using paid leave time.

Employees have access to all of the Agency's policies and procedures via DOR's Intranet site. These documents serve as the official source for information relating to the Agency's position on personnel issues, payroll, travel, training, communications, security/safety, as well as overall general administration issues.

5.3b(3) Assessing well-being, satisfaction, and motivation: The ESS provides a breakdown of morale satisfaction within DOR. The 2001 ESS showed that an average of 56.6% of employees were either satisfied or extremely satisfied with areas relating to morale. Because of this rating DOR conducted statewide feedback sessions to determine how it could improve. In response, DOR organized trust and respect workshops for every office and division. Following the workshop, staff co-created a Professional Conduct Guide that was displayed in their work area and on the Intranet. In 2003 the morale satisfaction climbed to 72.3%, with similar results in 2005.

While the ESS provides perspective on the level of employee well-being, DOR also conducted Baldrige Self-Assessments in 2000, 2002, and 2004. This agency self-assessment enabled DOR to gather information on employee well-being and process improvements. The 2004 Agency-Level Feedback Report noted the Agency offers several services that contribute to well-being and morale. It noted that flexplace, flex-time, and part-time arrangements have been made available for many staff and that good training opportunities and challenging work helped contribute to morale. The report noted that it was not clear what DOR does to support a diverse work force. As a result, an initiative was put forward in the current SBP that outlines a strategy to develop a systemic program to increase the diversity of the work force and long-term retention of highly-qualified, skilled, and diverse employees.

DOR also uses data to assess employee well-being and satisfaction. The data includes items such as:

- Number of accident/incident reports
- Worker compensation claims
- Sexual harassment or discrimination complaints
- Rate of absenteeism
- Number of grievances filed
- Hiring and retention of a diverse population
- Number of terminations

5.3b(4) Relating assessment findings and improving results: Significant improvements in organizational performance have been achieved as the result of conducting three Baldrige assessments. Since the first effort in 2000, agency leaders focused on communicating organizational performance better to employees, customers, and stakeholders. Key performance measures were displayed on informational posters and placed throughout the Agency. Service commitments were formalized, made into wall posters, and shared with employees. The Agency provided considerable focus on building the leadership skills of supervisors by offering topic-focused OpsTm meetings, extended management team meetings, and many division-specific retreats and leadership meetings. Accountability measures were built into the process through performance contracts with the ADs.

Communication was identified in both the ESS and the Baldrige assessment as an opportunity for improvement. Since that time leadership has made a commitment to address this area through identification of an SBP initiative that chartered a quality team effort. In addition, the Director has made a special effort to communicate information on items such as the budget, legislative efforts, and SBP goals and what divisions are doing to achieve them. For example, over seven months InsideRevenue featured articles highlighting updates of the efforts of each of the seven Baldrige category teams.

6 Process Management

6.1 Value Creation Processes

6.1a(1) Key Revenue services and processes: DOR determines its key value creation processes from authorizing statues, its mission, and goals. The state's OFM POG framework approach helps guide budget decisions by producing a results-based prioritization of statewide activities. POG creates a strategic framework for investment decisions by determining results citizens expect, strategies most effective in achieving those results, and measures progress. Within DOR POG helps the Agency focus its efforts to achieve priority results, make performance information more relevant to budget choices, ensure that the Agency is cost effective, and describe the activities and results the budget can fund. DOR has seven key activities that focus on the statewide POG result "to strengthen government's ability to achieve results efficiently and effectively" (Figure 6.1-1). Related performance measures for the business processes are tracked on a monthly basis.

6.1a(2) Determining key process requirements: DOR follows the management model illustrated in Figure P.2-3 to determine its key process requirements. In Step 1 DOR assesses needs and satisfaction by using listening and learning methods such as satisfaction surveys, internal customer surveys, complaints, information gathered at committees and meetings, and other informal feedback (Figure 3.1-1). By gathering information from its employees and customers, the Agency is able to determine how well a process is performing and whether there are any opportunities for improvement. The Agency also monitors the economy, business climate, and revenue forecast to help understand the impact of environmental conditions and trends on process requirements. Our key requirements for these processes are shaped by our values (Figure P.1-2).

6.1a(3) Designing key processes: Ongoing operational reviews play an important role in DOR's evaluation of existing processes and

design of new processes. Reviews are conducted in a variety of ways including GMAP sessions, management performance contracts, divisional reviews, special studies, budget discussions, and quality teams. Use of data also drives operational activities and process improvements. Some processes that are identified are changed with little or no budget impact while others must consider cost, staff needs, and rely on new technology.

When information technology is required to update or design a key process, it may mean changes to existing applications and systems. In this event projects are prioritized through use of a Customer Advisory Team (CAT). Meetings are held quarterly that allow business units to work cooperatively with the IS to scope and prioritize efforts. New and/or large technology projects are usually brought forward during the SBP process. Because the Agency has limited resources, projects are evaluated on their risk, cost, and benefits. Benefits typically include improvement in performance measures such as cycle time and productivity as well as customer requirements and needs. These factors are evaluated and reflected in the Agency's SBP ranking of projects as well as the Agency's budget allocations.

IS uses the PMBOK Guide as its formalized project methodology. Project teams use this methodology to create unique deliverables, identify requirements, establish clear and achievable objectives, balance competing demands for quality, scope, time, and cost, and adapt the specifications, plans, and approach to the different concerns and expectations of the various stakeholders. Over the past few years DOR has been conducting usability testing with internal and external customers, gaining valuable feedback prior to release of a new and/or revised product. Testing and quality assurance are key components of the design process. IS provides regular status on these projects through CAT or ST meetings discussing SBP initiatives.

6.1a(4) Key performance measures or indicators used for control and improvement of processes: DOR uses measures to help achieve high performance and meet customer needs (Figure 4.1-1). Certain performance measures are directly related to POG, others reflect service commitments, and some are included in the budget, while others are slated for ongoing review by ET. ADs are held accountable for monitoring their divisions' performance measures to meet expectations and targets and, when necessary, initiate improvements. Information from surveys and roundtable events is used to measure the quality and responsiveness of services and assistance. System error reports provide information on anomalies, and there are numerous online and paper reports in place to monitor progress, allow for early identification of problems, and minimize risk.

DOR's GMAP process provides a proactive approach, using data to highlight agency performance. As mentioned in previous categories, the Director uses GMAP meetings to discuss the effectiveness of DOR programs, processes, and services. During GMAP sessions the ET encourages open and frank discussions, acknowledges success, and at the same time, holds ADs accountable for delivering results. ET members challenge ADs and their employees to look for ways to refine their operations and redeploy resources for greater return. The Director participates in the Governor's Economic Vitality GMAP forums, providing vital information on agency programs and measures. She responds to questions from the Governor and her cabinet and provides leadership on follow-up action plans. The Director and ET members also share information on key processes and performance measures at speaking engagements attended by industry representatives and business owners.

6.1a(5) Minimizing costs, preventing errors and rework: Washington has a complex tax code where taxpayers rely on DOR to provide clear, concise rules and instructions. DOR works to prevent errors and rework by focusing on "helping taxpayers get it right the first time." DOR has made tax simplification a priority and has streamlined the rule-making process to create consistency and uniformity. Stakeholders are encouraged to provide input on business practices and how technology changes might affect a rule.

To minimize cost to both the Agency and taxpayers, DOR offers a variety of online services on its web site. These self-service applications can be accessed anywhere and at any time. From the convenience of their home or office, taxpayers or their accountants can update account information, file returns, and make payments electronically in a secure environment. The programs have helped reduce postage and printing costs to the Agency and play a major role in promoting correct and timely payment of taxes. For instance, the E-file system catches calculation errors up-front. The error rate has declined more than 20% in 10 years, greatly reducing the need for DOR staff to reconcile tax returns.

Risk analysis is undertaken for projects using the Information Technology Risk Assessment Process. The Agency employs a proactive approach to the IA function, focusing efforts on highest areas of risk. The Agency is currently adopting the ERM framework which will include information, education, and restructuring the approach to risk management throughout the organization. As mentioned in previous categories, IA performs independent and objective assurance audits which include reviews of general systems controls, internal controls over financial transaction streams, and compliance with laws and regulations.

In order to alleviate areas of confusion or clarify existing, new, or recently changed tax laws, DOR mails information to taxpayers that is targeted to their specific industry. Each year the Agency develops a plan prioritizing what industries are in most need of information and assistance. The plan is formed by analyzing the data from DOR studies, tax reporting information, use of the data warehouse features, and input from business associations and taxpayers. The targeted education program started in 1999 and has continued to evolve, providing "Plain Talk" written information that is easy to read and understand. The program is highly successful in reaching large numbers of taxpayers with little cost, is less intrusive than an audit, and continues to have a high return on investment.

DOR employees play a crucial role in minimizing costs and preventing errors and rework. The assistance they provide taxpayers on the phone, in person, or by letter helps taxpayers report correctly. By reporting correctly, the Agency doesn't have to assign staff to rework tax returns and incur costs associated with mailing credit or balance due notices or following up on delinquent accounts when taxpayers report correctly. In order to provide excellent service, DOR is committed to hiring and retaining highly-qualified staff and providing them with a variety of professional training opportunities to help increase their knowledge, skills, and abilities.

Figure 6.1-1 Key Revenue Business Processes

1. Property Tax Administration

Key processes

- Perform appraisals of real and personal property
- Equalize utility property assessment
- Equalize the state school levy
- Ensure uniformity in assessments by conducting advisory appraisals
- Administer senior citizen property and nonprofit tax exemptions and deferrals

Performance measures

- Number of Real Property Appraisals and Personal Property Tax Audits Completed
- Increase the number of Advisory Appraisals

2. State and Local Revenue Collection and Distribution

Key processes

- Provide ongoing education and assistance to taxpayers
  - Provide new businesses with reporting information
  - Answer incoming calls (TIC)
- Maximize collection of tax dollars owed on delinquent accounts
- Conduct tax discovery efforts
- Collect and distribute local taxes on behalf of local jurisdictions
- Process, examine, and correct tax returns

Performance measures

- Maintain/Improve the Voluntary Compliance Rate for tax reporting
- Increase the Number of Returns Filed Electronically
- Total enforcement collections (Cumulative – in thousands) 2005-07
- Maintain the Percent of Monthly Returns Filed Timely
- Increase the Percent of Monthly Returns Filed Accurately
- Answer 80% of incoming calls in one minute or less
- Respond to Taxpayer Rights Advocate inquiries within one business day
- Process and Post Tax Returns within 48 Hours of Receipt
- Correct Tax Return Errors within 10 days
- Increase the number of Partial Payment Agreements
- Verify and Process 99% of all UBI Applications within two days
- Process refunds within 10 business days
- Answer 75% of written requests for tax information within 10 days
- 24/7 Access to Department systems
- Respond to 100% of pubic records requests within five days

3. Tax Auditing

Key processes

- Provide fair and uniform application of tax laws
- Promote optimal level of accurate tax reporting and payment
- Conduct and timely issue tax audits. Issue 80% of audits within 50 calendar days of the exit conference

Performance measures

- Percentage of active reporting taxpayer accounts contacted by the Audit division
- Provide fair and equitable treatment to taxpayers during an audit
- Issue 80% of audits within 50 calendar days of the exit conference

4. Tax Policy Research, Analysis, and Interpretation

Key processes

- Provide accurate, timely, and clear information that encourages informed tax policy decisions

Performance measures

- Review all agency rules or interpretive statements for adoption, revision, or repeal to reflect legislative changes, court decisions, and current business practices
- Percentage of fiscal notes having scheduled hearing dates that are delivered to OFM at least four hours before the hearing

5. Taxpayer Appeals

Key processes

- Timely resolve tax appeals
- Provide written guidance on Washington State tax laws

Performance measures

- Mainstream Tax Appeals cleared within one year of receipt

6. Unclaimed Property Management

Key processes

- Efficiently administer unclaimed property programs
- Return abandoned property to proper owners

Performance measures

- Percentage of monetary unclaimed property claims processed within 30 days of receipt

6.1a(6) Improving processes, and keeping current: Continuous improvement to the Agency's business processes is achieved through the application of quality principles and business process redesign methods. Agency staff participate in national conferences to stay current with new approaches, sharing experiences and learning about new advancements in the field of taxation. Benchmarking with other state revenue agencies allows DOR the ability to assess current and future performance measures and processes.

The SBP process promotes the discussion and prioritization of agency improvement projects. For example, much of the legislative process is reactive. The Agency is often asked to provide draft legislation on complex, difficult issues on short notice. In order to improve this process, the Agency prioritized an SBP initiative that provides solutions to legislative session preparedness with advance drafting work on identified issues. The initiative is under way and has proven successful in providing timely tax information and advice to the Governor, Legislature, and other stakeholders.

With the increased use of and reliance on automation, the public expects more online services and information. DOR has made strides in this area, funding its network infrastructure, implementing sophisticated security measures, and offering online services such as the GIS rate lookup tool, ability to file and pay taxes in a secure environment, and request UCP refunds electronically. Feedback received during recent small business roundtable events confirmed that these types of services are appreciated and needed. DOR was encouraged to keep adding more features. Listening to customers, using data to drive decisions, and effectively implementing new online services have been the primary reasons that DOR has won several awards for innovative improvements over the last ten years. A recent example is the automation of the Unclaimed Property System

for which the Agency won the FTA Award for Outstanding Management and Organizational Initiative.

6.2 Support Processes and Operational Planning
6.2a Support Processes

6.2a(1) Key business and other support processes: Support processes include internal administrative service activities needed to effectively carry out agency operations and the SBP. These services include the overall management of the Agency through executive oversight, information systems, internal auditing, general and revenue accounting and budgeting, cash management, vendor payment, payroll administration, facilities management, purchasing, human resources, organizational development, and legal services provided by the Attorney General's Office (Figure 6.2-1).

6.2a(2) Determining key support process requirements: The approach to determining key support processes is the same as described in 6.1a(2) with more emphasis put on obtaining and using input from staff. The ESS, CS, internal customer surveys, feedback sessions, and meetings are the types of mechanisms that provide feedback on the importance of key requirements (Figure 6.2-1) and how well they support operations. Key requirements are also shaped by our values (P.1-2).

6.2a(3) Designing key support processes: Support processes are designed and implemented using the same approach as described in 6.1a(3). DOR uses multiagency teams to drive learning and innovation. Teams are chartered to address minor changes or redesign of a major process or creation of a new way of doing business. One example of a major support process change was the 2006 implementation of the HRMR. This new personnel/payroll computer system was approached by appointing a "change agent." This individual represented the Agency at statewide meetings and was responsible for leading an internal implementation team comprised of managers and professional staff from Administrative Services. The team had to use project management skills to accomplish migration to the new system. The team was successful in making sure that internal systems were converted, policies and procedures were changed, staff received training, and that there was effective communication with employees.

6.2a(4) Measuring and managing key support processes: DOR's key Administrative Services support processes listed in Figure 6.1-1 are tracked and discussed during GMAP meetings using the same format described in 6.1a(4). An "enterprise report card" consisting of statewide measures is presented to DOP twice a year through the HRMR (see Figure 7.4-1).

6.2a(5) Minimizing costs, preventing errors and rework: The approach is the same as described in 6.1a(5).

6.2a(6)Improving revenue processes, keeping current: The approach is the same as described in P.2-3 and in 6.1a(6).

Figure 6.2-1 Key Revenue Business Processes

Administrative Services

Key support

- Provide essential support to all activities within the agency
- Provide legal services
- Defend state's interest through successful litigation

Performance measures

- Total State and Local Revenue Collections (in millions)
- Cost of collecting revenue (cents per $100 of revenue collected)
- Voluntary compliance rate
- Percentage of taxpayers with favorable opinion of DOR employees
- Employee Satisfaction Survey
- Performance Evaluations completed/past due
- Diversity ratio
- Turnover ratio
- Training Statistics – dollars, hours
- Supervisor to staff ratio

6.2b Operational Planning

6.2b(1) Ensuring adequate financial resources: DOR uses its SBP and the budget process to ensure that it has financial resources available to support its operations. The SBP (Figure 2.1-1) is submitted as part of the budget development process and enables DOR to commit to common goals and focus on important agency priorities. Every two years DOR embarks on the planning process as a prelude to building the next biennium's budget request. By planning first, then addressing resources, the Agency links requests to results so that the budget becomes a means to complete the initiatives set forth in the plan.

In addition to completing the SBP, the Agency also submits biennial budget requests to OFM. The budget that is submitted seeks to maintain funding at a level DOR believes is necessary to live up to all of its commitments while maintaining service levels and core operations. DOR seeks to invest in technology to maintain service levels and expand e-commerce solutions. OFM reviews DOR budget requests and recommends funding levels to the Governor for inclusion in her budget proposal. DOR is provided with the final budget once it has been approved between the Legislature and the Governor's Office and has the option to submit a supplemental budget if necessary. DOR's budget staff monitors expenditures through each fiscal year to ensure that the Agency has funds available to pay for salaries and benefits, travel, training, equipment, rent, postage, printing, and other costs. Each AD is responsible for estimating expenditures and monitoring their division's expenses throughout each fiscal year.

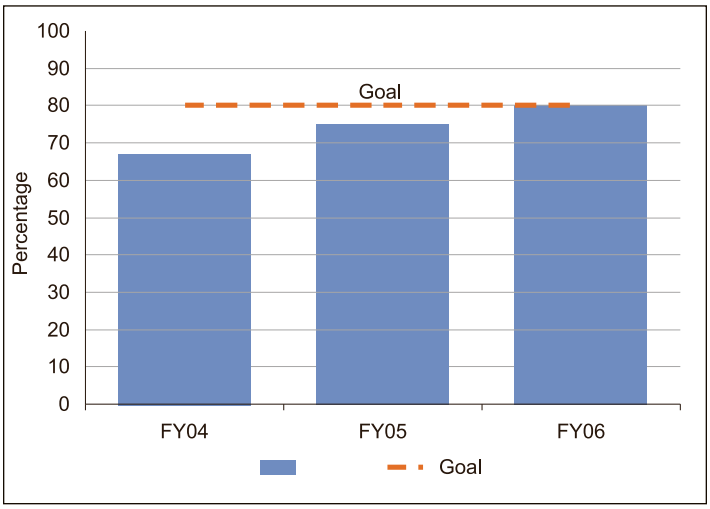
6.2b(2) Ensuring continuity of operations: DOR takes measures to ensure the continuity of operations in an emergency to provide products or services for its customers. The same steps for ensuring continuity are found in 4.2a(3). DOR has an SRP which focuses agency efforts in smooth and rapid restorations of operations. The three principle goals of the SRP are to save data, to save hardware, software, and facilities, and to resume critical processes and restore data. The objectives of the plan are to resume processing of critical functions as quickly as possible and then resume full "normal" processing later. DOR uses a private vendor for secured offsite storage of data on backup media and related material. A backup recovery test is performed quarterly.

7 Results

7.1 Product and Services Outcomes

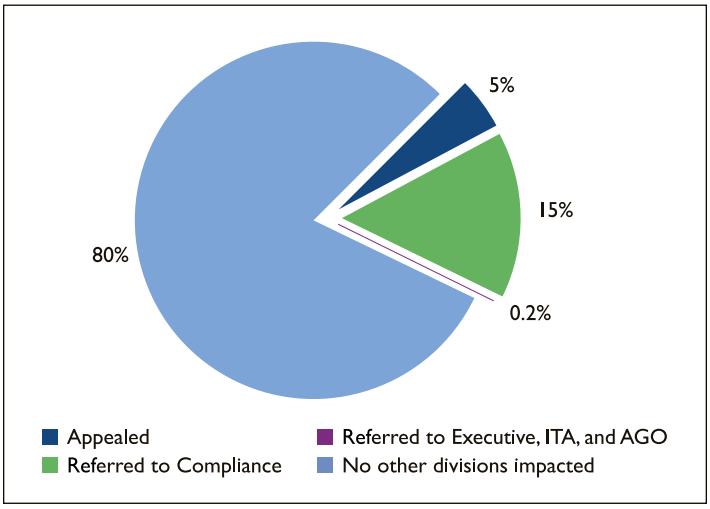
7.1a Product and Service Results

Figure 7.1-1 Audit Division Issues Assessments Faster Than Ever



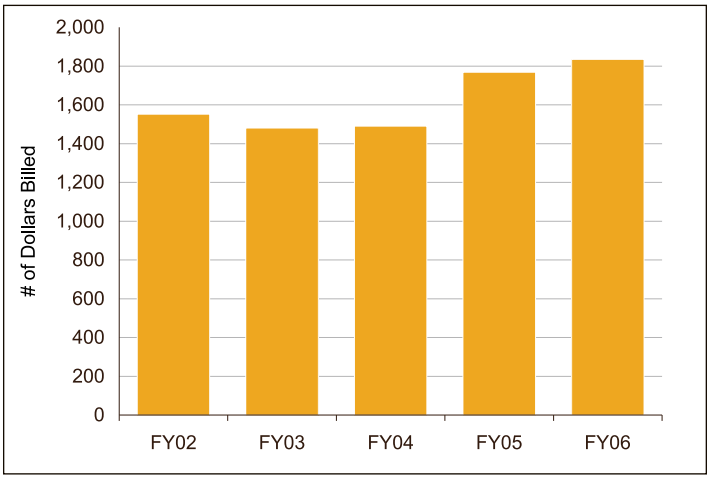
The Audit division is committed to issuing audits in a timely manner. To meet this goal the division implemented procedural changes and established a performance measure to monitor progress. In FY06 the division achieved its goal of issuing 80% of its audits within 50 calendar days of last contact with the taxpayer.

Figure 7.1-2 Audit Division Resolves 80% of All Audit Assessments (FY06)



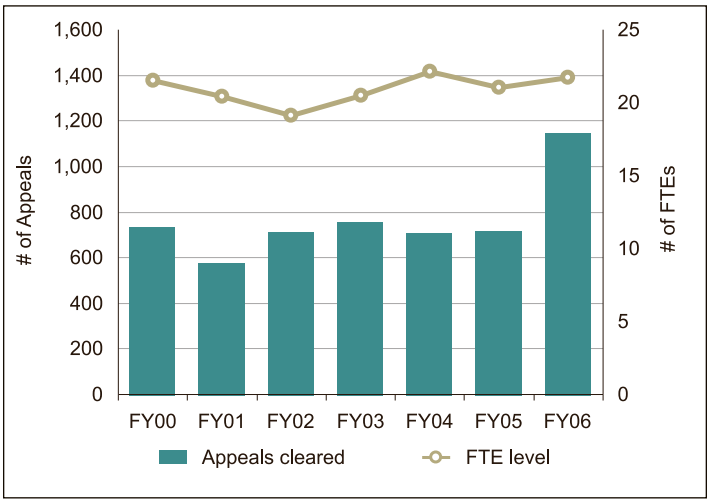
The Audit division's primary objective is to issue audits that support fair and consistent application of tax law. During FY06 80% of all audits were completely resolved within the Audit division, while the remaining were referred to other parts of the Agency for collection action, additional interpretative review, appeals, settlement, or litigation. The 80% mark is a measure of the quality of work by the Audit division and lends overall credibility to the audit function.

Figure 7.1-3 File Audits/Average Dollars Billed is Increasing



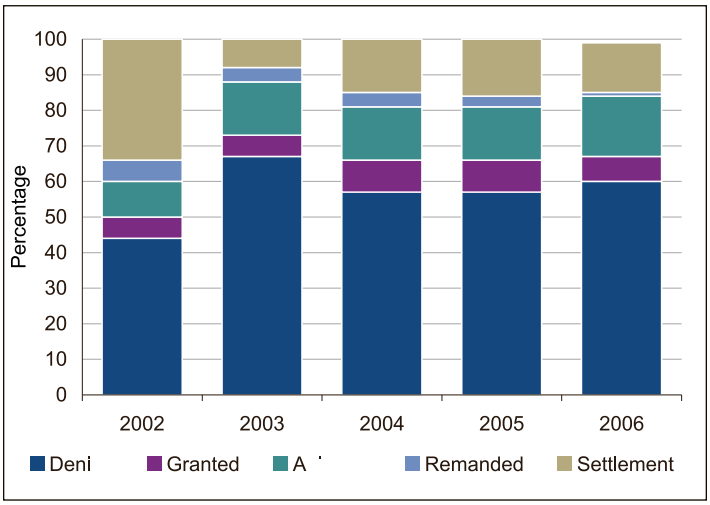
TAA examines tax returns for errors and conducts examinations on accounts to identify underreported tax. Since FY02 TAA has increased average dollars billed by conducting more thorough examinations and investigations, improving its recruitment efforts to hire qualified staff, and expanding training for new examiners.

Figure 7.1-4 More Appeals Cleared While FTEs Remain Unchanged



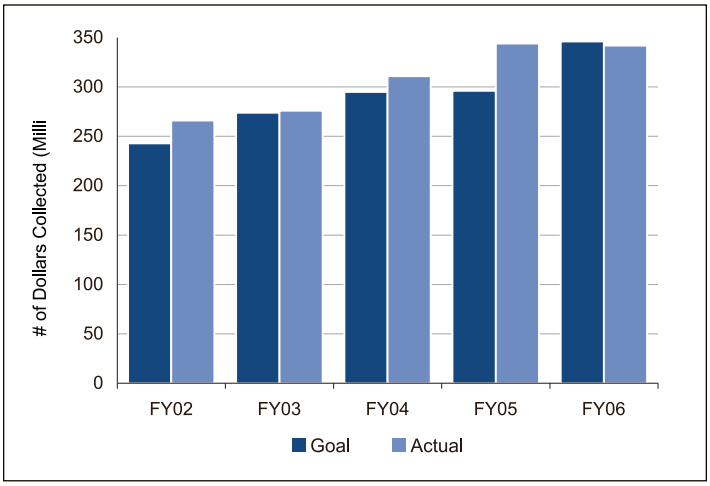
The Appeals division has maintained the same level of FTEs since FY00. The number of cases cleared remained relatively constant from FY00 through FY05. In FY06 the Appeals division was able to increase substantially the number of appeals cleared by implementing a backlog project and laying the foundation for a new case management process.

Figure 7.1-5 Type of Appeal Decisions



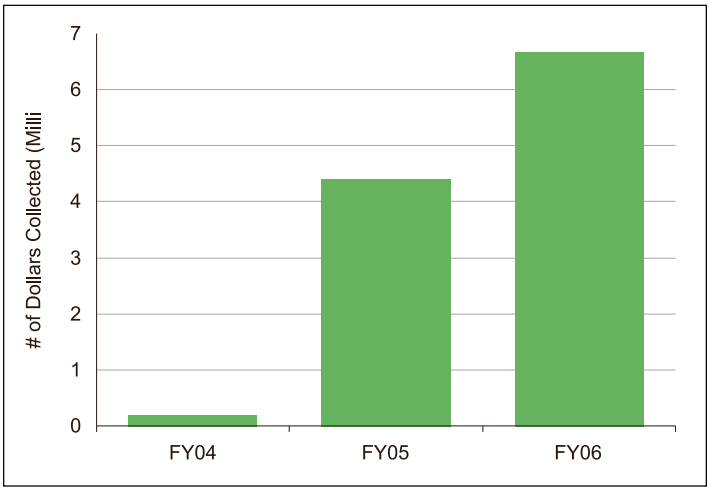
The Appeals division monitors the way cases are resolved to assess trends and to analyze how outliers affect the overall trend line. In 2002 DOR settled a large group of industry cases, increasing resolutions and reducing denials. The Appeals division implemented a backlog reduction project in the last quarter of 2005 and cleared an additional 202 cases during the last quarter of the year. The division also began a new case processing improvement project to reduce the amount of potential repeat business for the appeals and/or operating division associated with a remand. This process has helped reduce the remanded trend line by 1%, helping to eliminate the need to send appeals back to the operating division for more work.

Figure 7.1-6 Total Compliance Enforcement Collections



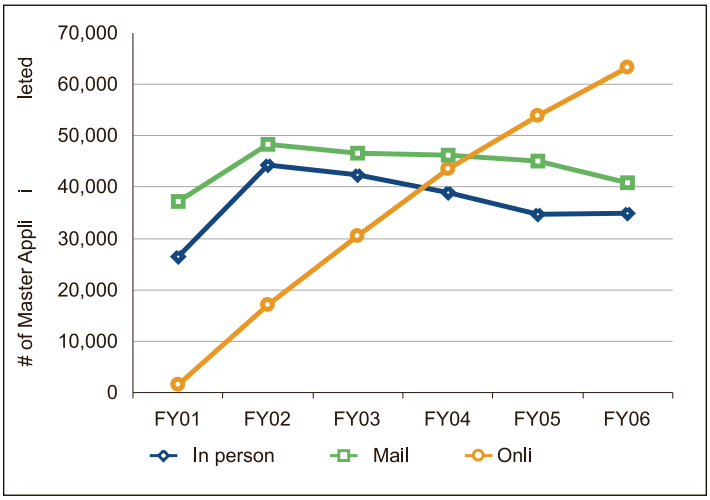
Collections through the Compliance division enforcement continue to increase. Figure 7.5-7 shows the effect of more timely collection of overdue taxes through such techniques as using call centers to more quickly contact businesses that fail to file tax returns on time.

Figure 7.1-7 More Partial Payment Agreements Are Collected Electronically



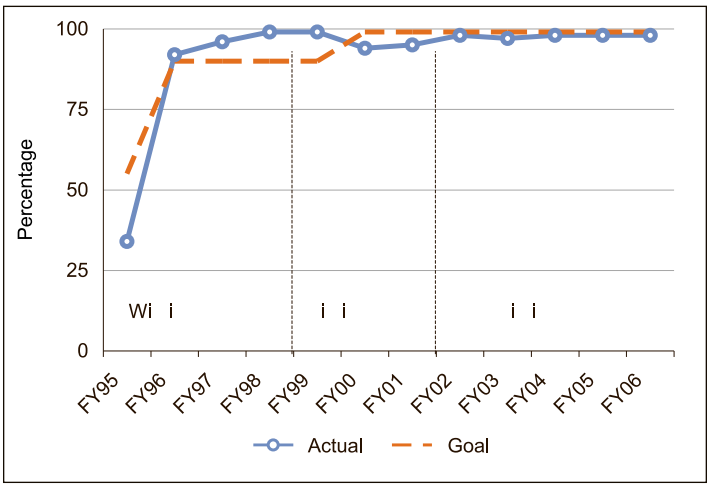
In February 2004 DOR implemented a new program that allows partial payment agreements to be collected and remitted electronically via its web site. This mandatory program has helped decrease NSF checks and need for staff to handle and manually process these payments. The trend for using this system continues to increase, providing more direct and timely payments into the bank.

Figure 7.1-8 More Taxpayers are Registering Online



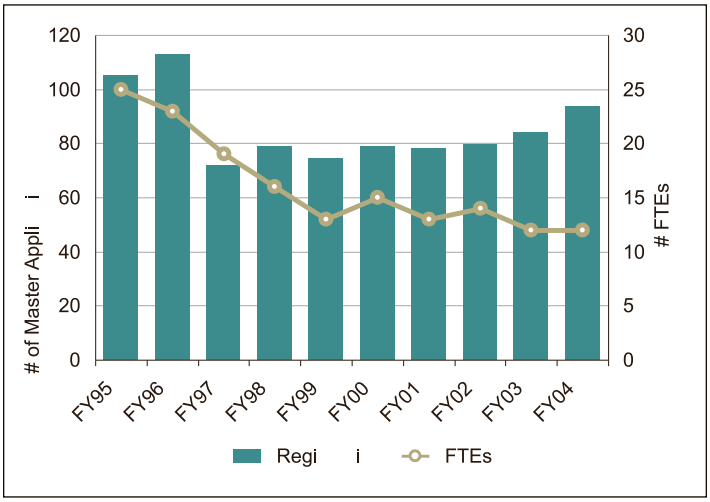
The state's Unified Business Identifier (UBI) program simplifies the registration process and recordkeeping by assigning a standard nine-digit number used to identify a business. The program provides "one-stop" registration which allows business owners to fulfill many registration and licensing requirements by completing one Master Application and making a single payment at one of the participating agencies. Creating the online application and expanding its availability through the state's Business Portal Project has greatly reduced the traditional means (mail, field office) of receiving a Master Application. From FY01 to FY06 online applications increased from 2% to 45%, mailed applications dropped from 57% to 29%, and applications received in field offices dropped from 41% to 25%.

Figure 7.1-9 Completion of New Registrations Continue to Meet Stretch Goals



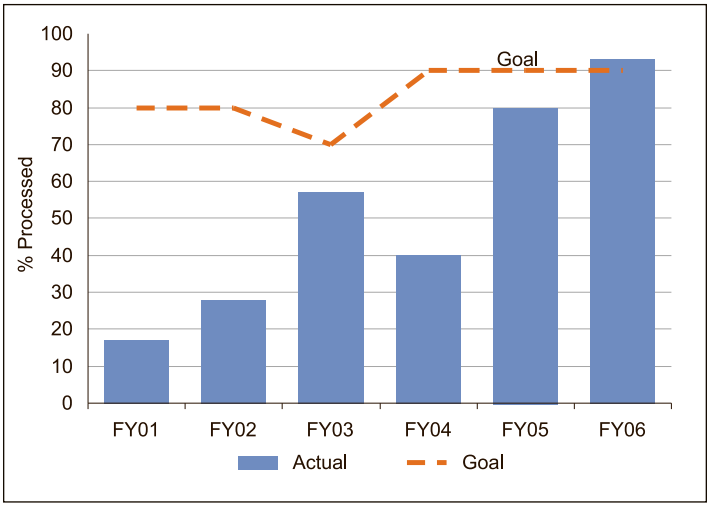
In FY95 34% of new business registrations were completed within ten days. Taxpayers had to wait to receive their business license, and many times they were calling to find out the status. To meet this demand for better service and faster processing, the State Tax Administration Redesign (STAR) planning effort was initiated. This effort identified and outlined a strategic direction to enhance or redesign current systems and procedures. As a result 99% of new registrations are completed within two business days.

Figure 7.1-10 Efficiencies Enable DOR to Register More Businesses with Reduction in Staff



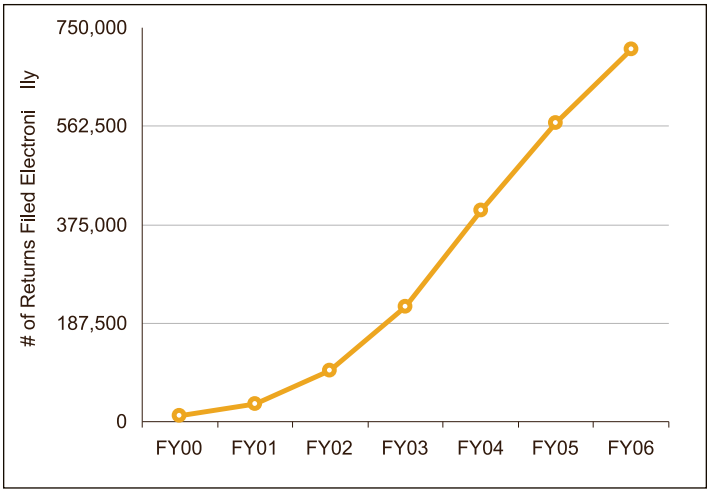
During a ten-year span, DOR has been able to register more businesses despite a 47% decrease in FTEs. The state's online Master License Program has played a key role in helping to eliminate the need for DOR staff to handle and process paper registrations. Other efficiencies were gained by making internal changes, training staff across functions, and implementing team and individual performance measures.

Figure 7.1-11 Department Accomplishes Two-Day Goal for Electronic Access to Tax Return Data



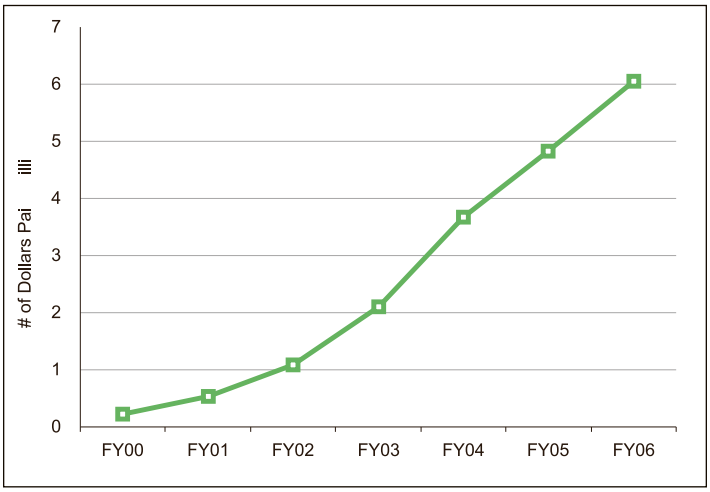
Timely access to data is important for DOR's internal and external customers. For example, the ERFC relies on correct and timely posting of tax return data to support their forecasts. Ten years ago it took ten days to post this information. The Agency's ability to post tax return data within 48 hours has increased from 17% in FY01 to 93% in FY06. This accomplishment was achieved by deploying its E-file system, implementing an imaging system and OCR/ICR technology, utilizing high speed scanners, and improved scheduling of intermittent staff.

Figure 7.1-12 Electronic Filing Use Continues to Grow



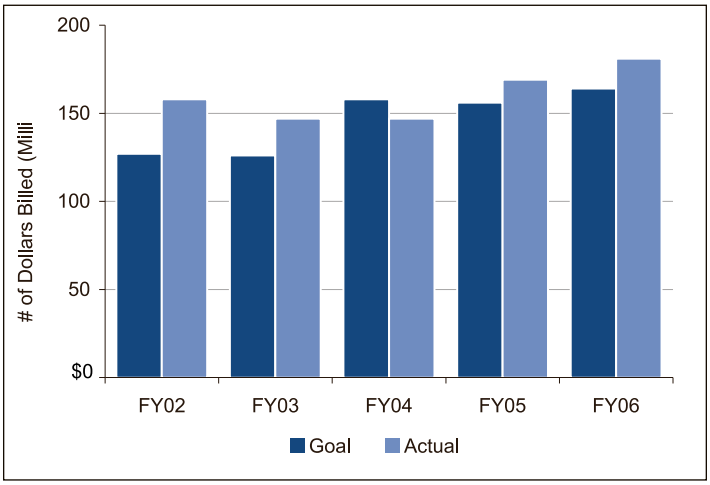
E-file provides benefits to both the taxpayer and the Agency. Taxpayers have convenient access to their account information and can customize the tax return to fit their business. The program catches errors upfront, saving taxpayers needless penalties and interest. The growth in number of filers can be attributed to DOR's aggressive marketing campaign. DOR saves postage and printing costs and FTEs. E-filers make fewer errors, which saves staff time in having to review exception returns. The estimated cost savings for these activities is $400,000 annually.

Figure 7.1-13 Electronic Payment Dollars Continue to Increase



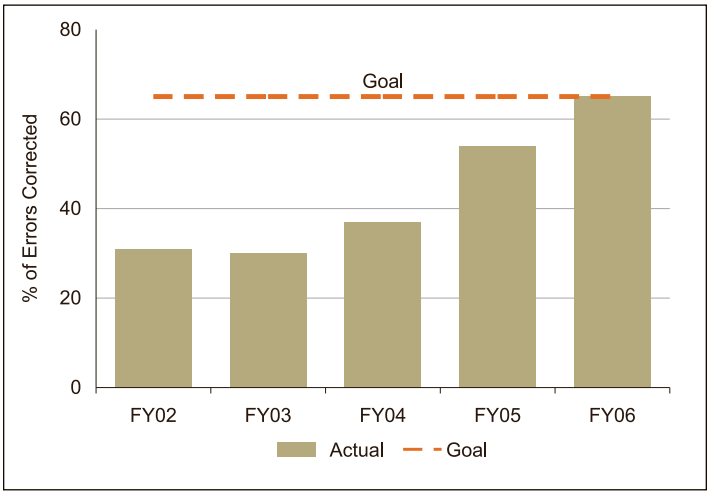
DOR offers a variety of different options for taxpayers to electronically pay their taxes. To increase usage of this online service, DOR has improved the system by expanding the electronic payment options to include American Express in March 2001, electronic check in August 2001, Visa and Master Card in July 2006, and Inter Agency Payments in August 2006.

Figure 7.1-14 Balance Due Notices and Tax Assessments Continue to Increase



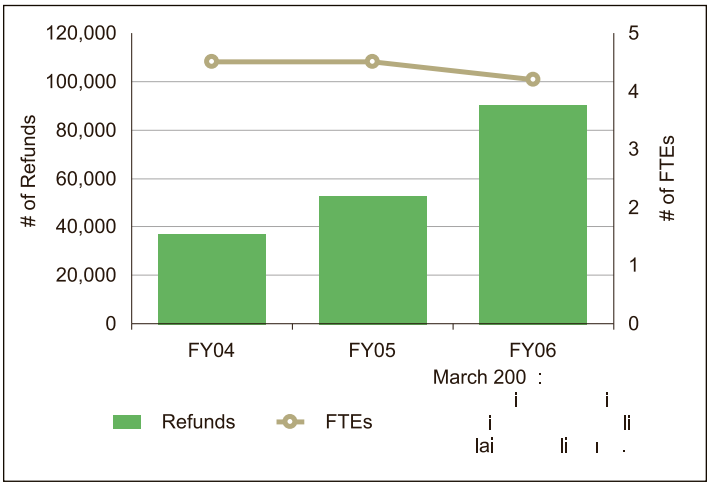
DOR strives to fairly and efficiently collect revenues and administer programs to fund state services. In TAA this is achieved through the issuance of balances due and tax assessments. To increase the amount collected, the division has focused on examining more accounts and eliminating inventories of returns requiring examination. They have also initiated tax recovery programs and new technologies such as the data warehouse to generate leads for investigations.

Figure 7.1-15 More Errors Corrected Before Next Return Due Date



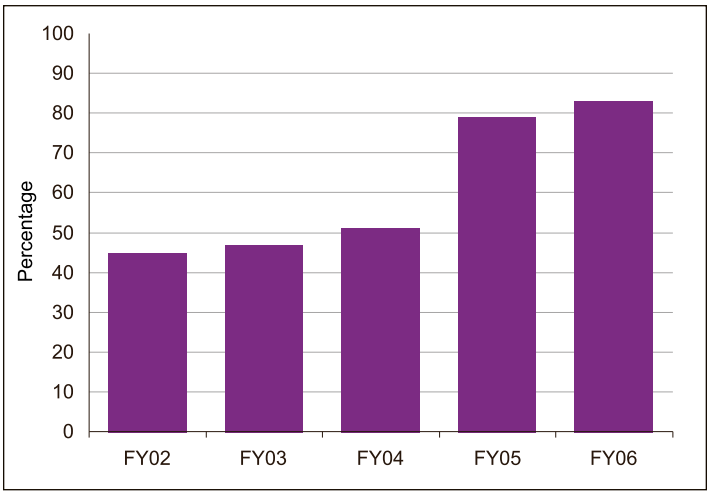
Correcting tax return errors within ten days allows taxpayers to file correctly the next time, minimizes repeat errors, and reduces costs to taxpayers in associated penalties and interest. The percentage of monthly returns corrected within ten days has increased from 31% in FY02 to 65% in FY06. This increase is due to DOR's efforts to simplify returns, promote use of E-file, and concentrate staff efforts on current returns.

Figure 7.1-16 Processing of Unclaimed Property Refunds Increases While FTEs Stay the Same



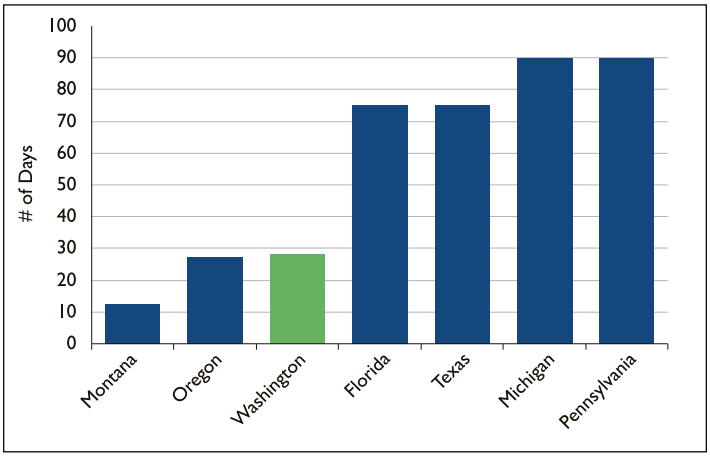
Changing to a centralized telephone service and the deployment of an automated online refund service allows each employee to process claims, resulting in a savings of 0.75 FTE.

Figure 7.1-17 Unclaimed Property (UCP) Online Reporting Continues to Increase



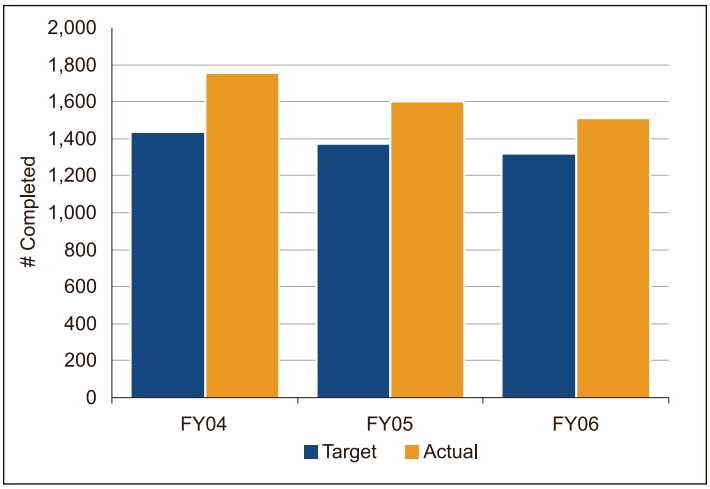
A simplified input system allows a report with up to 85,000 names to be quickly loaded into DOR's system. DOR offers free reporting software on its web site and training for UCP holders. The result is an increase from 45% to over 80% electronically received names.

Figure 7.1-18 Washington Compares Well to Other States in Average Time to Refund an Unclaimed Property Claim



Through the National Association of Unclaimed Property Administrators, DOR participated in a collaborative exercise with seven states to share best practices in 2006. Washington's program compared well to other states. In recent years the Agency has become one of the national leaders in the area of turnaround time on processing UCP refunds. The goals DOR set are far outpacing other states. Through looking at comparison data, DOR has found that states smaller than Washington have a similar turnaround time but a much smaller workload.

Figure 7.1-19 Surplus of Real and Property Appraisals Reinforces Fairness



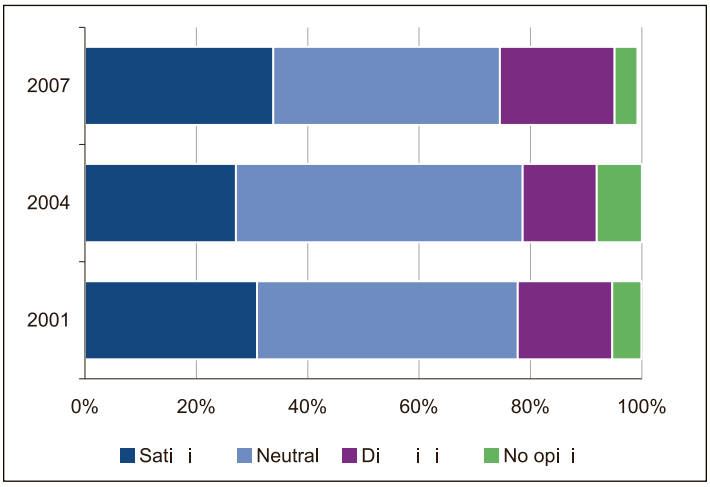
DOR has a statutory obligation to ensure uniformity within the state's property tax system and oversee the administration of property taxes at both the state and local levels. To meet this obligation, the Agency performs appraisals of real and personal property to develop ratios of assessed value to fair market value. DOR applies these ratios to equalize utility property assessments and to equalize the state school levy that counties pay into the state general fund. As a result, each county pays its fair proportion of the taxes for the state school levy. The target amount of appraisals will ensure a statistically valid sample and is determined annually. The Agency has exceeded its goals in each of the past three fiscal years. Property tax levy collections for the state school levy in calendar year 2008 are estimated to be $1.763 billion.

7.2 Customer-Focused Outcomes
7.2a Customer-Focused Results

7.2a(1) Customer Satisfaction Levels Trends

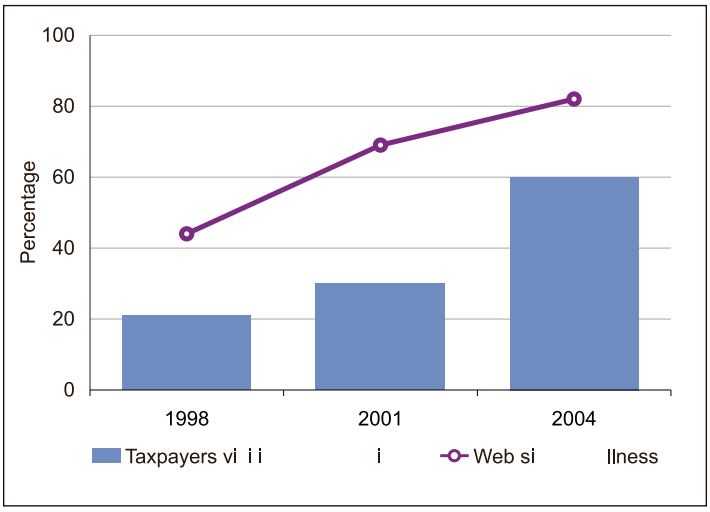
7.2a(2) Indicators of Customer-Perceived Value

Figure 7.2-1 Customers Rate Their General Satisfaction with DOR (TSS)



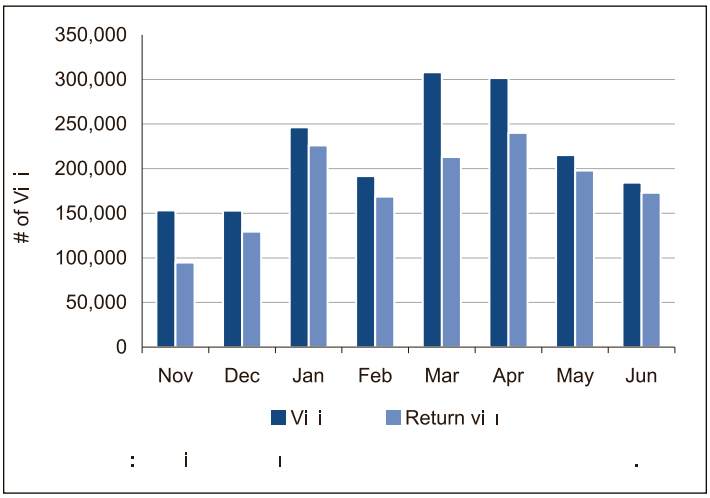
General taxpayer satisfaction has been an agency performance measure since 2001 and is reported to OFM. To gain richer feedback about satisfaction, DOR utilizes focus groups and roundtable discussions to dialogue with customers about specific issues and improvement strategies. The evolution to two-way communication provides more useful and meaningful information for customers, stakeholders, and DOR.

Figure 7.2-1 More Users Access the Web Page with Increased Level of Usefulness



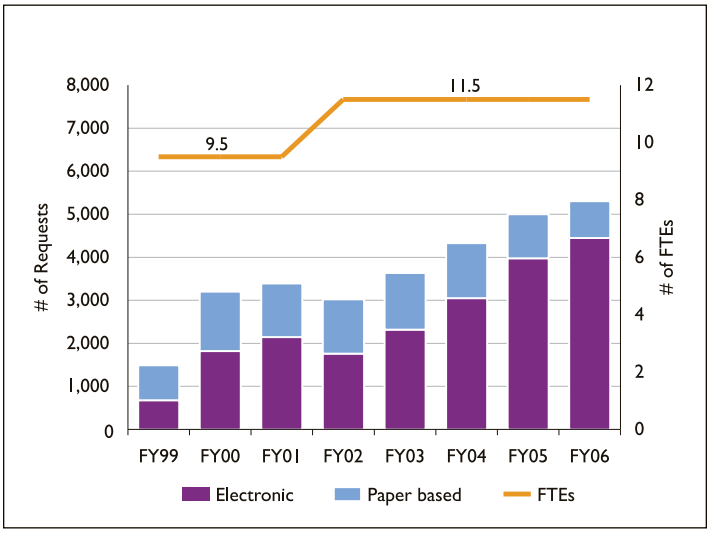
DOR has made a variety of enhancements to its web site since 1998. More online services have been added, allowing taxpayers to file, pay, and manage their accounts from their home or office. The site has been redesigned to make it easier to navigate and locate information. Findings from the last TSS indicate that the actions DOR has taken have been successful as reflected by an increasing level of user satisfaction.

Figure 7.2-2 Web Site Meets Workload Demands (FY06)



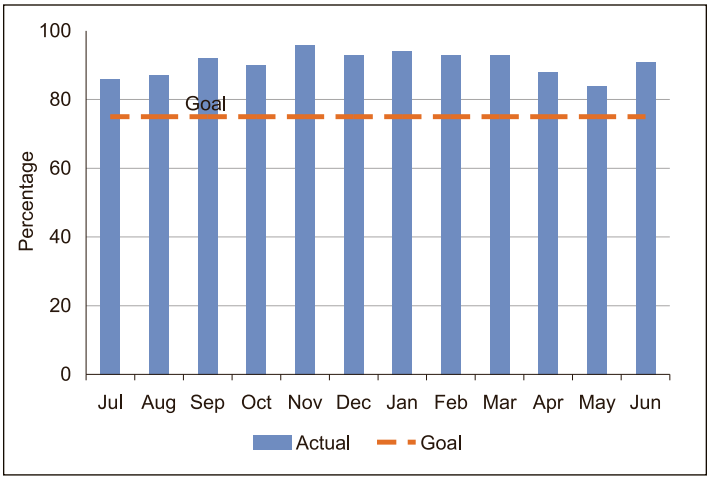
In November 2005 DOR purchased Omniture, a web analytics tool, to monitor web site usage. The Agency uses this tool to track a variety of statistics including unique visitors and return visitors. This tool helps DOR determine if it is meeting customer needs by monitoring where users are going within the site and how often.

Figure 7.2-3 Letter Rulings Continue to Increase



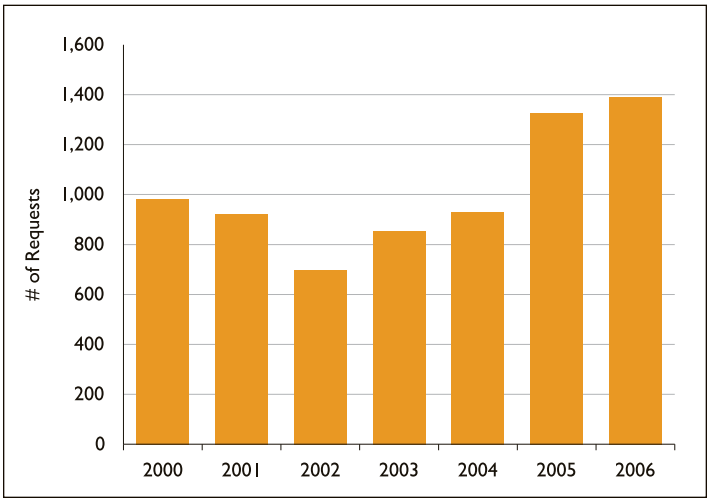
Taxpayers have the right to request a written letter ruling from the Agency. These rulings are binding on both the Agency and the taxpayer and may be appealed. The requests cover topics that range from clarification of an existing rule to impacts of new legislation. Letter ruling requests continue to increase, especially those that are submitted electronically. To meet the demand of increased e-mail ruling requests, DOR developed and offers a Secure Message system on its web site.

Figure 7.2-4 Letter Rulings Request Responses Within Ten Days (FY06)



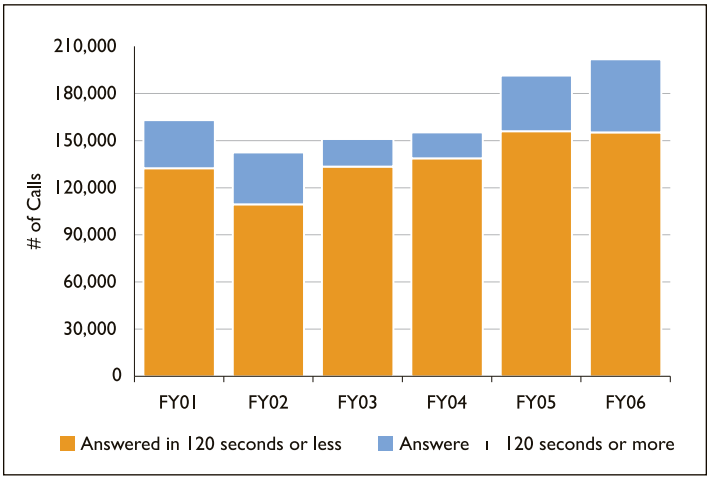
DOR has an established performance goal to respond to 75% of letter ruling requests within ten days of receipt. To meet this goal the Agency implemented an imaging workflow process. Letters are imaged, entered into the system, and assigned to a staff member for response. The system tracks progress, provides for a review process, and also gives staff located throughout the state the ability to access the original letter and DOR's response.

Figure 7.2-5 Public Records Requests Continue to Increase



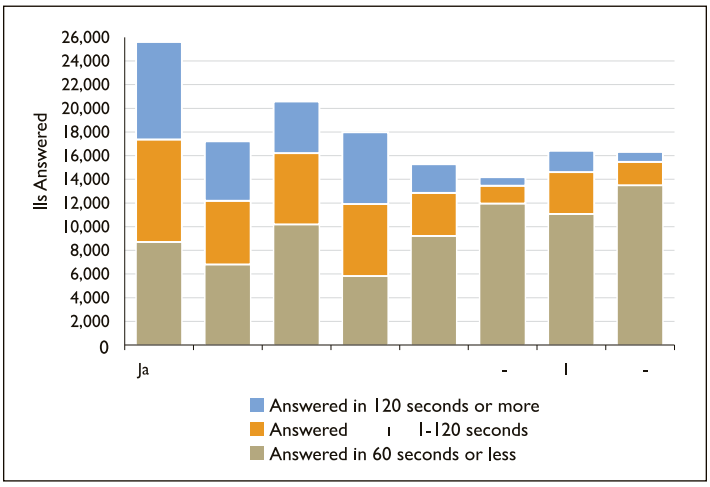
DOR must respond to public record requests within five working days. The Agency must meet the intent of public records law but also maintain the confidentiality of taxpayer records. To make sure that the DOR meets these requirements, it has centralized a staff of trained experts who are responsible for monitoring and meeting the statutory time limit.

Figure 7.2-6 Calls Requesting Personal Assistance



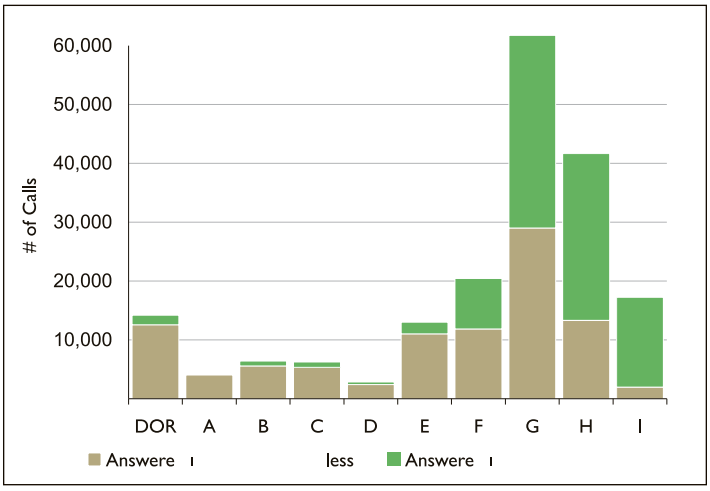
DOR maintains a centralized TIC. Staff answer a variety of calls, and many times they are the first and only contact with the Agency. TIC staff provide critical assistance in helping taxpayers understand their tax reporting obligations. To meet increased demand for personal assistance, DOR shifts staff internally and employs part-time assistance during months that have heavy call volumes.

Figure 7.2-7 Personally Assisted Calls Answered



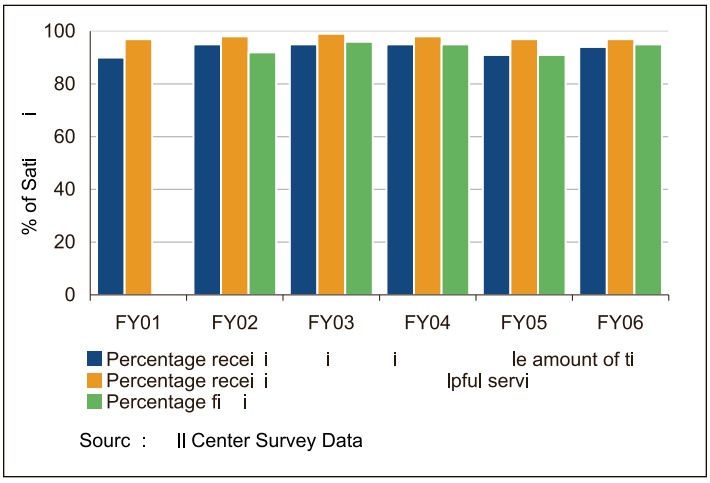
For the past few years DOR had a performance measure to answer 80% of the calls requesting personal assistance within two minutes or less. In 2006 DOR participated in a statewide call center discussion on performance measures and best practices. As a result, DOR now tracks the number of calls answered within a range of time frames. This information is tracked through the call center system.

Figure 7.2-8 Agency Comparisons of Personally Assisted Calls: Answered in 60 Seconds (June 2006)



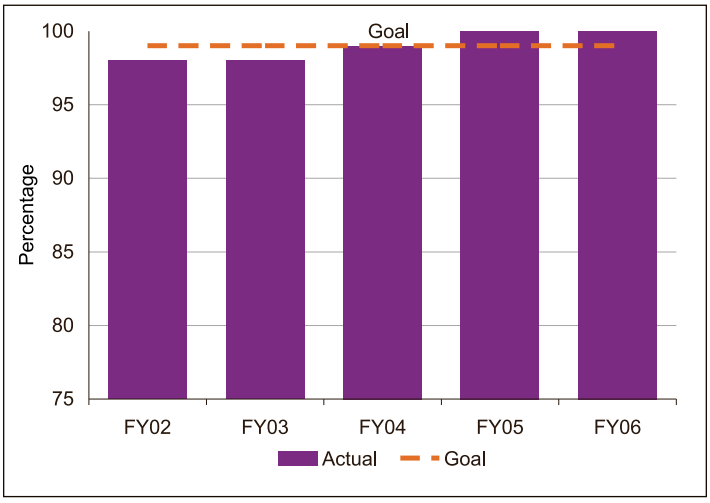
To determine if DOR was providing the level of service required, it compared its performance against those of other state agency call centers, shown as agencies A through I in Figure 7.2-8. This benchmark indicates that DOR compares favorably, with a high percentage of its calls answered in 60 seconds or less.

Figure 7.2-9 Call Center Level of Satisfaction



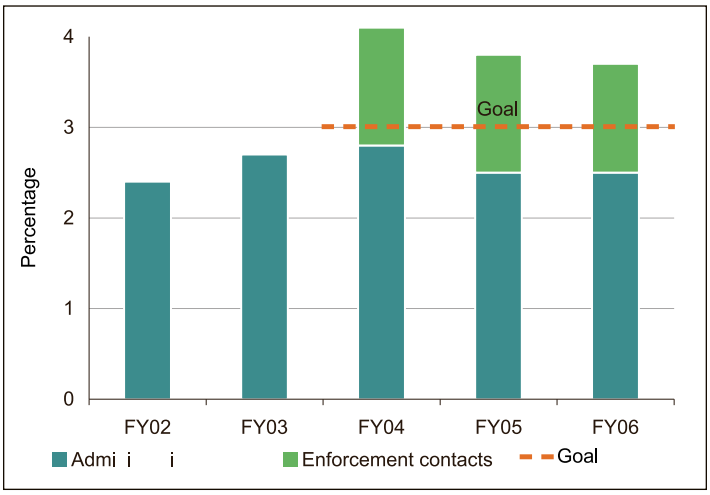
DOR not only measures the quantity of calls answered but also the quality of service provided. Callers are randomly selected and mailed surveys asking them to comment on the experience that they had with receiving personal assistance and also their opinion on automated features. Six fiscal years' worth of data reflect that the center continues to provide excellent customer service.

Figure 7.2-10 Refunds Worked Within Ten Days



Taxpayers have an expectation that their refunds will be processed quickly. In FY94-95 DOR wasn't meeting that need, taking 34 calendar days to issue a refund request. Today DOR processes refunds within ten working days. This was accomplished by eliminating barriers, monitoring individual performance, and developing and implementing an online refund system within the Credit Management System.

Figure 7.2-11 Audit Administrative and Enforcement Contacts Exceed Goal



The Agency must maintain an appropriate level of audit coverage, not only in the state of Washington but across the nation. Audits are an important function of the Agency in funding state services. DOR's auditors not only conduct audits but also provide other types of education for taxpayers. These contacts range from consultation visits to managed audits. By providing these types of services, the Audit division staff help taxpayers understand their obligations, learn how to report correctly, and avoid penalties and interest.

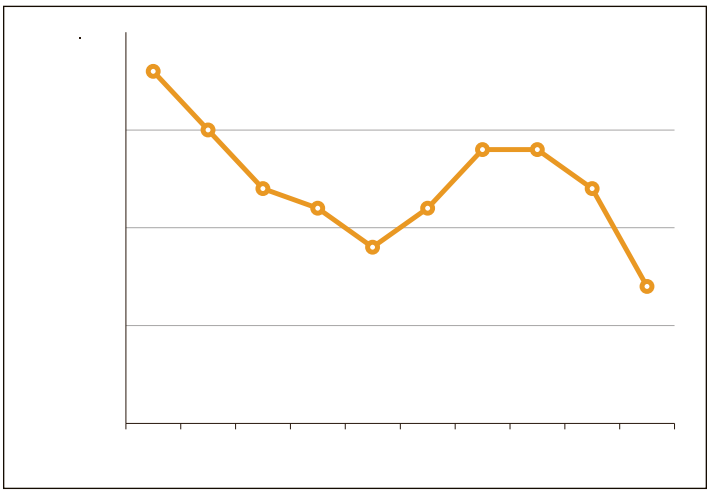
7.3 Financial and Market Outcomes

7.3a Financial and Market Results

7.3a(1) Financial Performance

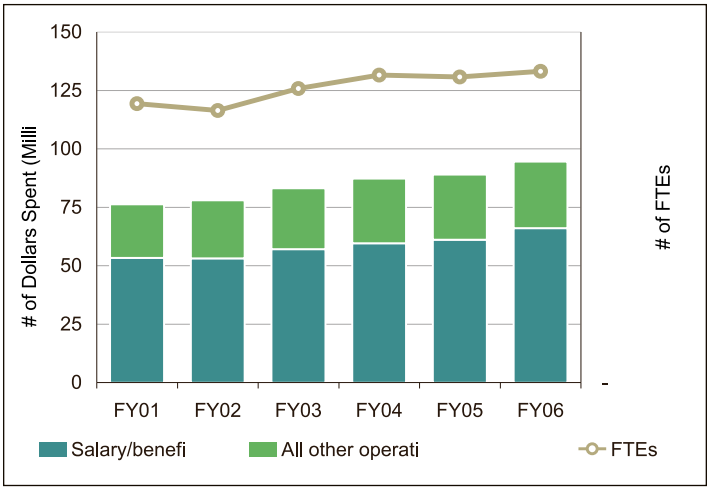
7.3a(2) Marketplace Performance

Figure 7.3-1 Continuing to Drive Costs Down: Costs Per $100 Collected



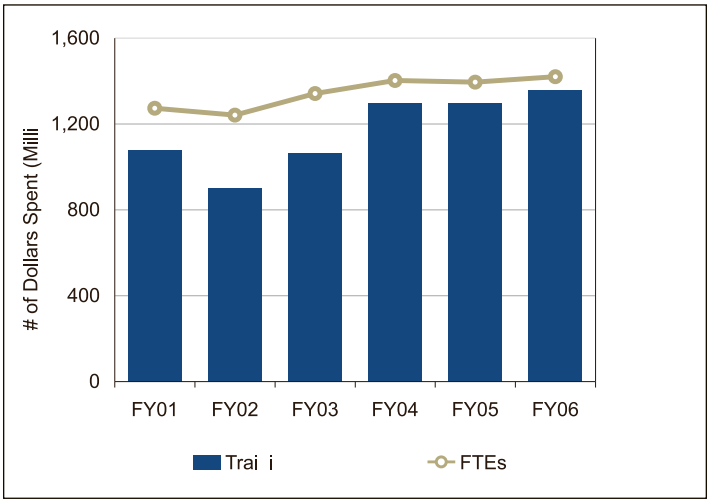
For many years DOR has tracked the cost of collecting every $100 in revenue. While both expenditure and revenue changes affect this measure, DOR believes it represents an overall indicator of efficiency when taken in context with other factors. The calculation also includes agency expenditures for nonrevenue-collecting activities such as legislation and research.

Figure 7.3-2 Total Expenditures vs FTEs



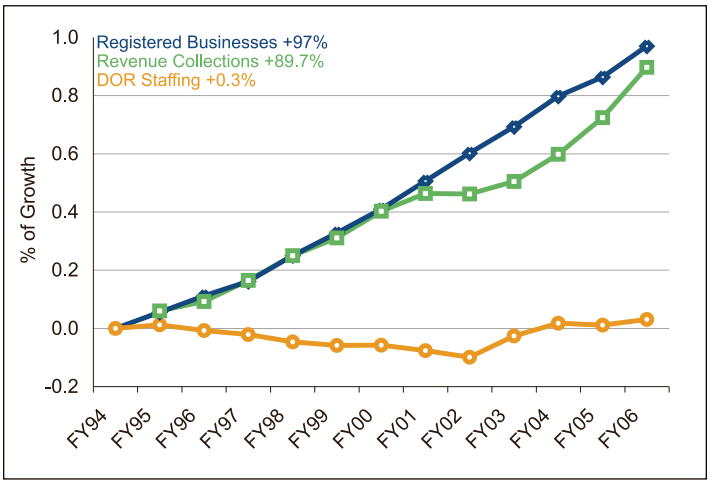
DOR continually monitors expenditures versus FTE levels. Figure 7.3-2 shows the FTE staffing levels and the amount of salary and benefits paid by fiscal year.

Figure 7.3-3 Training Expenditures vs FTEs



In order to perform its tax administrative duties, DOR must maintain a highly-trained work force. The Agency has made a commitment to meet this challenge and offers a variety of training opportunities. Figure 7.3-3 data includes actual expenditures for training, travel, and conference registration compared to actual number of full-time employees. In FY06 DOR averaged $1,097 per employee, compared to $818 in FY02.

Figure 7.3-4 Work Volumes Steadily Increase While Staffing Levels Remain Flat



As the state's population continues to grow, so does the number of registered businesses, creating an even greater demand for services. DOR has only had a 3% increase in FTEs since FY94, while registered businesses increased 97% and revenues collected rose nearly 90%. To operate within budget constraints, the Agency is continually looking for new ways to provide effective and efficient services and be responsive to taxpayer needs and be accountable to the public. DOR uses the SBP process to prioritize ongoing and new initiatives.

DOR collected $16.5 billion in taxes during FY06, a 29.4% increase over $12.7 billion collected in FY01. During that period FTEs increased 11.6%, and current staffing levels are only slightly 3% higher than they were in FY94 when tax collections totaled $8.5 billion.

7.4 Human Resource Outcomes
7.4a Human Resource Results

The HRMR, as described in 5.1b, measures interlocking components of a healthy performance management system. All Washington State agencies submit this standard performance measure data twice a year for a statewide picture and interagency comparison.

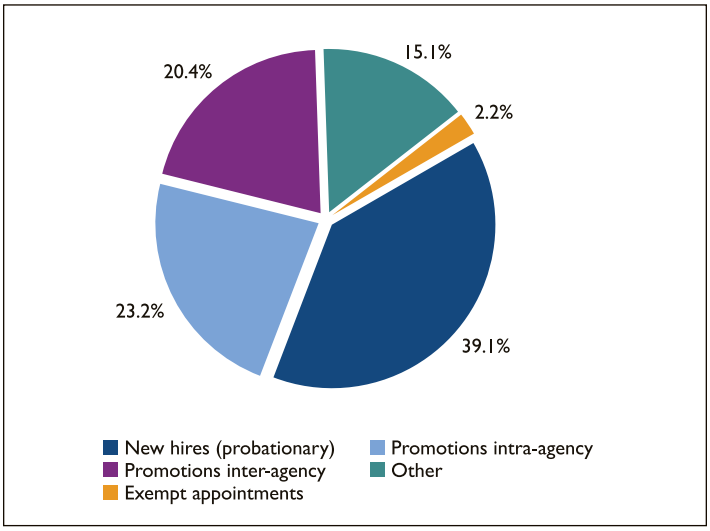
Figure 7.4-1 Human Resources Management Report (FY07 QTR 2)

Performance Measure Description	Statewide	DOR	Status
Plan and Align Work Force			
% supervisors with current performance expectations for work force management	97.4%	98.7%	▲
% of employees with current position/competencies descriptions	87.3%	100%	▲
Hire Work Force			
Time-to-fill funded vacancies	67.1	80 days	▲
Separation during review period	14%	11%	▲
Deploy Work Force			
% employees with current performance expectations	83.4%	86.6%	▲
Overtime usage (average hours per capita)	3.7	0.3	▲
Sick leave usage (average hours per capita)	6.2	6.28	▲
Non disciplinary grievances/appeals filed and disposition (outcomes)	249	3	▲
Develop Work Force			
% employees with current individual development plans	75.2%	82.2%	▲
Reinforce Performance			
% employees with current performance evaluations	77%	96.3%	▲
Number of formal disciplinary actions taken	109	0	▲
Number of disciplinary grievances and appeals filed	173	2	▲
Ultimate Outcomes			
Turnover rates and types	4.4%	7.7%	▲

▲ On target ▲ Area of concern ▲ Not on target

7.4a(1) Work system performance and effectiveness: A key factor in work system performance and effectiveness is work force stability. DOR has successfully delivered excellent services by competing effectively in the job market to maintain a balanced, dedicated, diverse work force.

Figure 7.4-2 Balanced Hiring Approach (FY06)

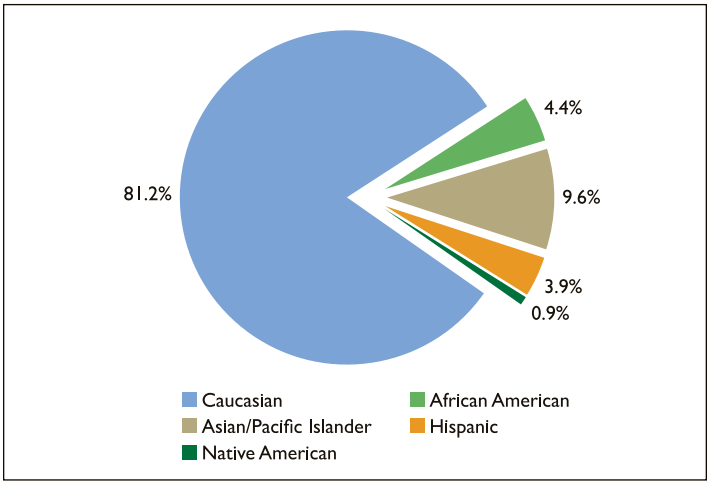


DOR has successfully recruited and hired employees from a variety of sources, including new hires, internal promotions, and promotions from other state agencies. This balanced hiring approach draws a steady source of new talent into the Agency while ensuring an agency- and state-based succession path for DOR and state government career employees.

Figure 7.4-3 Diversity Profile (FY06)

Type	DOR	State
Persons over 40	65.2%	76%
Women	56.1%	52%
People of color	18.8%	17.5%
Vietnam veterans	4.4%	7%
Persons with [illegible]		
[illegible]isabled veterans	1.3%	2%

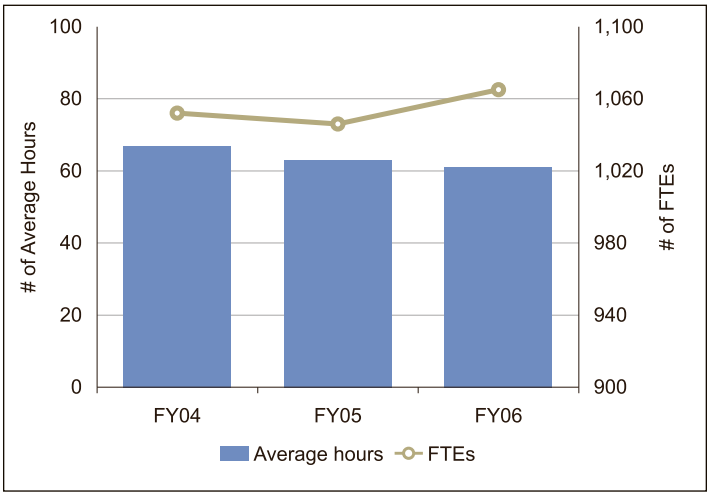
Figure 7.4-4 Ethnic Diversity (FY06)



Another element of DOR's balanced work force philosophy and policy is its strong emphasis on diversity. As a mainstay of DOR's SBP since 1998, work force diversity is a top tier goal and initiative. As such, considerable resources have been devoted to maintaining and increasing DOR's diversity, with considerable success through recruitment, hiring, learning, recognition, and celebration. In terms of overall diversity, DOR has consistently exceeded the state government rates for women and people of color and is comparable for persons with disabilities. With the creation of a Diversity Program Committee in FY07 based on its latest SBP diversity initiative, DOR expects to increase its diversity profile further.

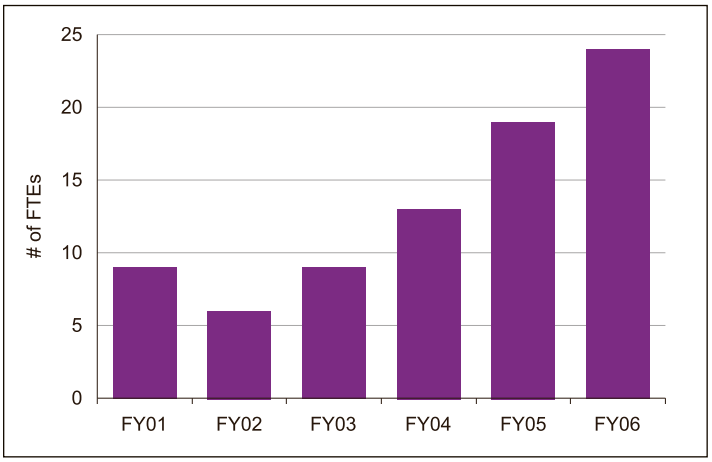
7.4a(2) Employee learning and development:

Figure 7.4-5 Average Training Hours Per FTE



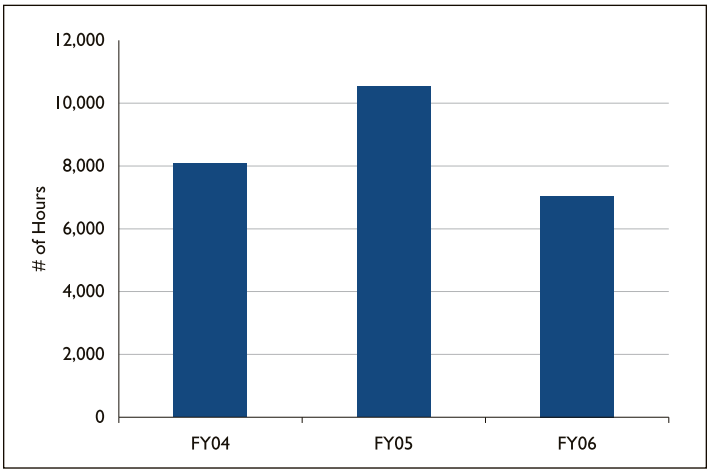
Another key factor in work system performance and effectiveness is employee training and development. DOR has traditionally placed a strong emphasis on both formal and on-the-job training. Over the past five fiscal years, DOR has spent $5,419,350 on training-related expenditures for an average of $1,083,870 per fiscal year. For a work force of just over 1,000 employees, DOR has consistently maintained an average of 64 or more hours per year of formal training per employee and a total of more than 65,000 training hours per year over the past three fiscal years. This data does not include the divisional technical training and on-the-job training.

Figure 7.4-6 TAA Examiners Receive Intensive Training



Specialized training occurs within the divisions where curricula can be tailored to professional disciplines and "on-the-job training" complements the learning. TAA continues to prioritize rigorous training for new hires. The number of new examiners to receive intensive training has nearly tripled since TAA first invested in its training program.

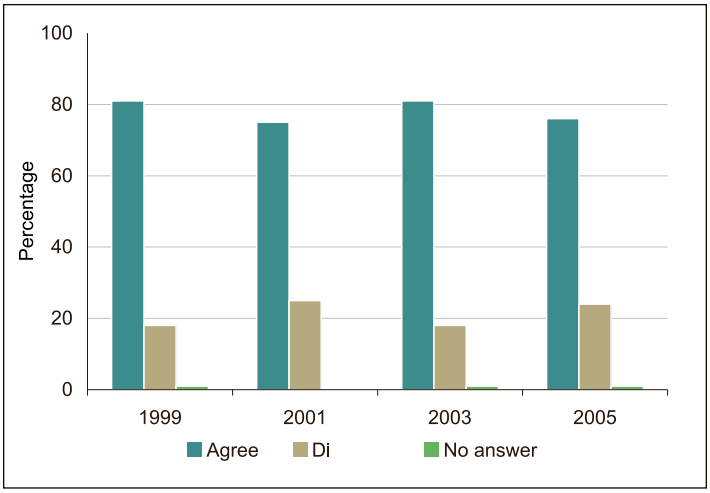
Figure 7.4-7 DOR Provides Supervisor Training and Development



As an element of employee development and work force management, DOR has placed a specific premium on supervisory training. The total number of supervisors declined by 9% in FY06, and supervisor training was unusually high in FY05 to inform employees about statewide initiatives including the new CBA and Civil Service Reform. The DOR Supervisor Academy Program includes external training contractors and a comprehensive internal supervisory training program.

7.4a(3) Employee well-being, satisfaction, and dissatisfaction:

Figure 7.4-8 "I Am Satisfied With My Employment at the Department Of Revenue" (ESS)



DOR strives to provide employees with an environment that fosters satisfaction across a broad spectrum of quality of work life indicators. The ability to sustain a quality of work life for its employees is reflected in the ability to consistently achieve the Agency vision, mission, and goals, as well as in the response rates to its biennial ESS. The employee participation rate in the ESS has traditionally been high, with a new peak of 86% in 2005. The results of the ESS testify to the satisfaction employees have with performing work in DOR. Since 1999 the overall employee satisfaction rating has been consistently around the 80% level, even during periods of significant change such as the statewide civil service reform that occurred before the 2005 ESS was conducted.

Figure 7.4-9 "There Is Cooperation Within My Division" (ESS)

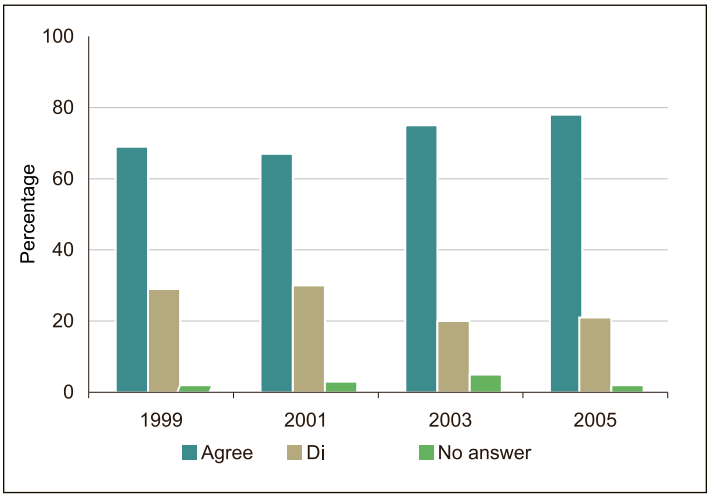
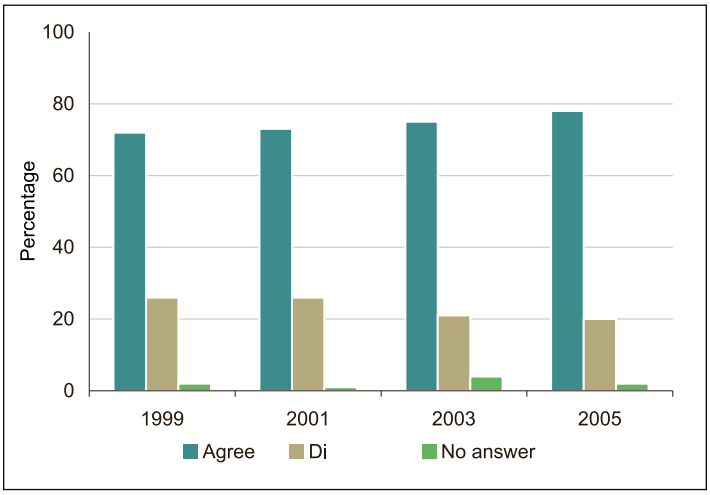
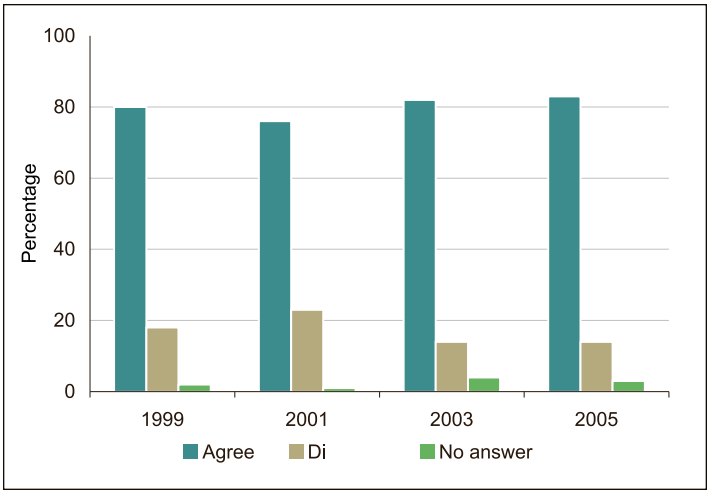


Figure 7.4-10 "My Supervisor Explains the Reasons for Work Decisions" (ESS)



With an employee-centered focus and emphasis on teamwork, DOR has successfully involved employees in its work processes and decision-making. The ESS provides insight into the degree to which the Agency and management has succeeded in achieving a work and service delivery system based on collaboration and teamwork. Employees have increasingly felt that there is cooperation within their respective divisions in performing their work and that supervisors are communicating key information about work decisions to ensure the employee is fully engaged and knowledgeable about work activities and processes.

Figure 7.4-11 "I Am Encouraged to Participate in Training Needed to Perform My Job" (ESS)



Employees have consistently confirmed that DOR management has successfully achieved its goal of ensuring employees are supported in a learning environment. Employees new to DOR are often surprised at the comprehensive scope of the Agency's training and its expenditure of staff and budget resources to realize its training goals.

Figure 7.4-12 "I Have the Tools and Resources I Need to Do My Job Effectively" (2006 CS)

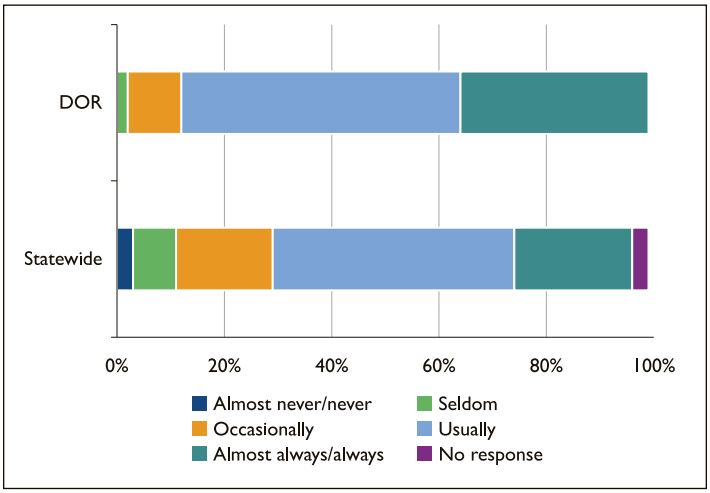
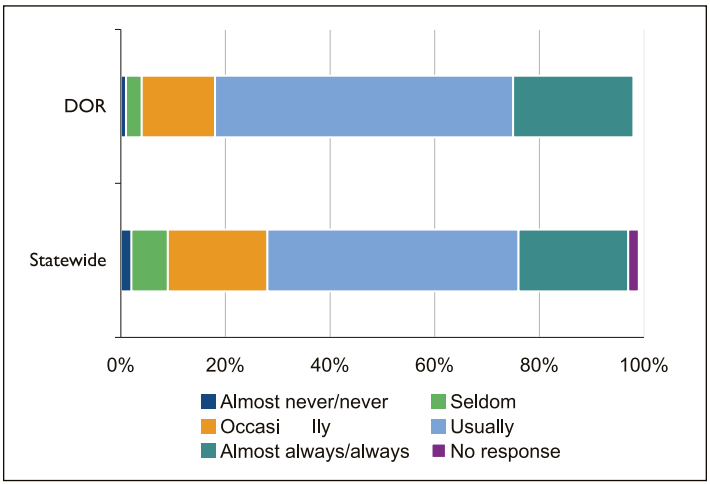
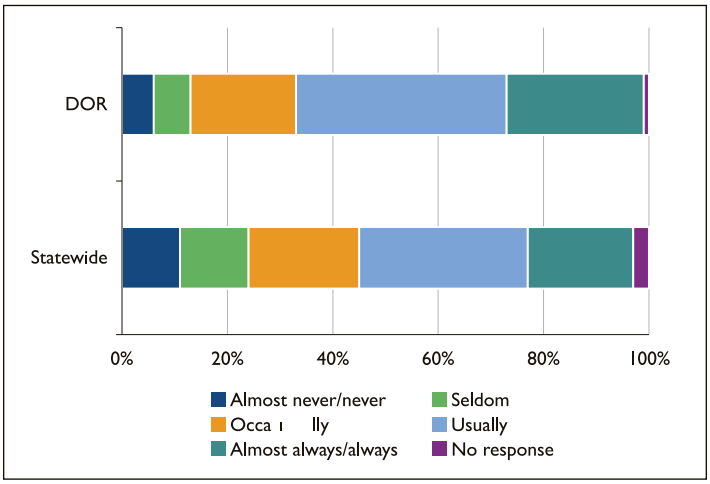


Figure 7.4-13 "I Receive the Information I Need to Do My Job Effectively" (2006 CS)



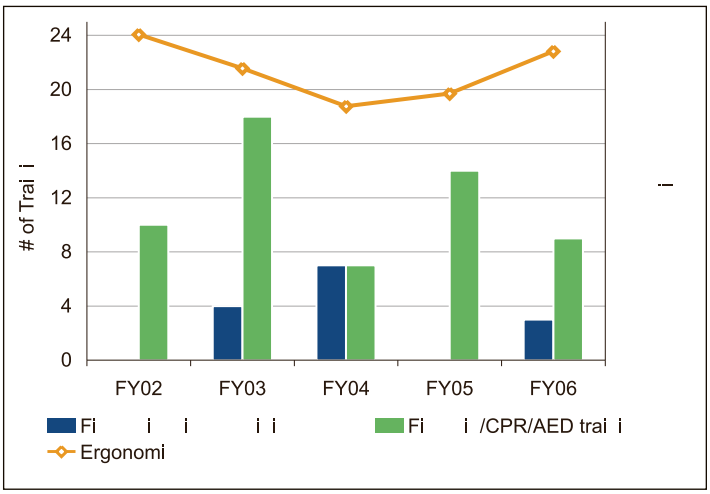
A more recent snapshot of employee satisfaction and perception was provided through the CS in 2006. DOR provides employees with the necessary resources and information to perform their jobs successfully and is even more compelling when examined in comparison to the statewide profile.

Figure 7.4-14 "I Know How My Agency Measures Its Success" (2006 CS)



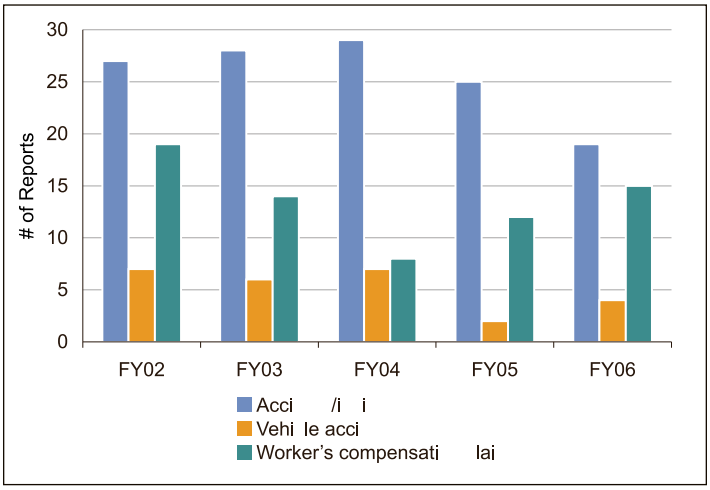
The CS provided information about success and opportunities for improvement. Although the Agency exceeded the statewide average for ensuring that employees know how it measures its success, there was still room for improvement in communicating this fundamental element of management. Since then the Agency conducted a concerted education campaign to ensure all employees both understood how the Agency measures success and what their role is in achieving it.

Figure 7.4-15 Safety and Accident Prevention Efforts



DOR emphasizes a safe work environment and has regularly provided employee training in a variety of safety-related topics including first aid, CPR, the use of AEDs, and fire extinguisher operation. The latter has a lower demand because certification extends a lifetime where CPR and first aid expire after two years. The Ergonomic Assessment Program demonstrates the proactive approach used for safety and office injury prevention. To participate, employees are asked if they need an assessment or an assessment is conducted in conjunction with an office move or office space redesign.

Figure 7.4-16 Injury Reports



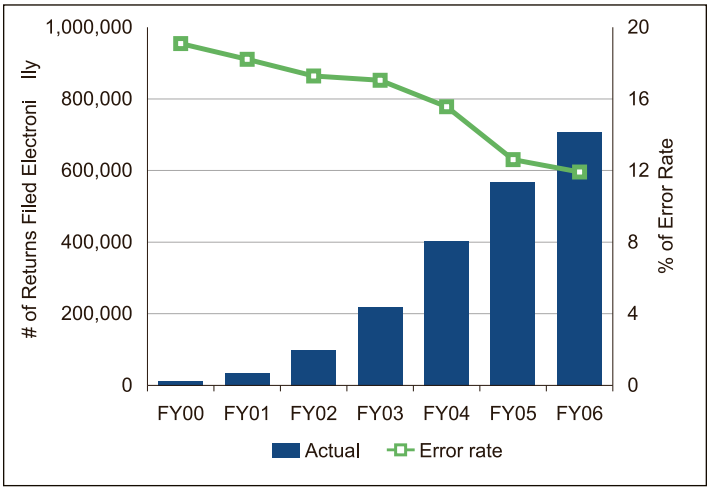
Another gauge for DOR's success in maintaining a safe work environment and preventing employee injuries has been the low number of injuries incurred each year. This is measured by worker's compensation claims which are typically less than 15 per year and seldom of a serious nature. DOR also tracks accidents and incidents, regardless of whether they result in injuries, to address possible safety issues, develop accident prevention solutions, and consider modifications to the safety and wellness programs.

7.5 Organizational Effectiveness Outcomes
7.5a Organizational Effectiveness Results

7.5a(1) Performance of Key Value Creation Processes
7.5a(2) Performance of Other Key Processes

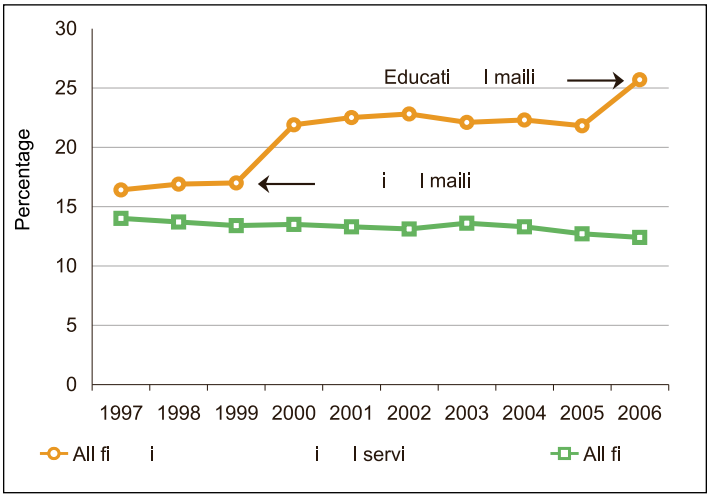
Key value creation processes identified in 6.1 are the underlying activities essential to the vision and mission of the Agency P.1a(2).

Figure 7.5-1 Taxpayer Errors Decline as E-File Use Increases



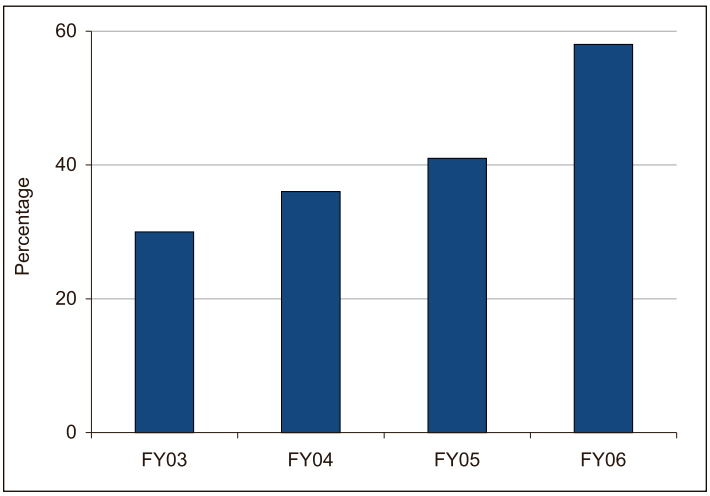
The number of returns filed electronically has increased due to DOR's marketing campaign. Error rates continue to decline as more taxpayers file electronically. Decreasing error rates on tax returns reduces the need for time-consuming reworking of returns, decreasing processing time and taxpayer frustration.

Figure 7.5-2 Industry Education Results in More Use Tax Payments



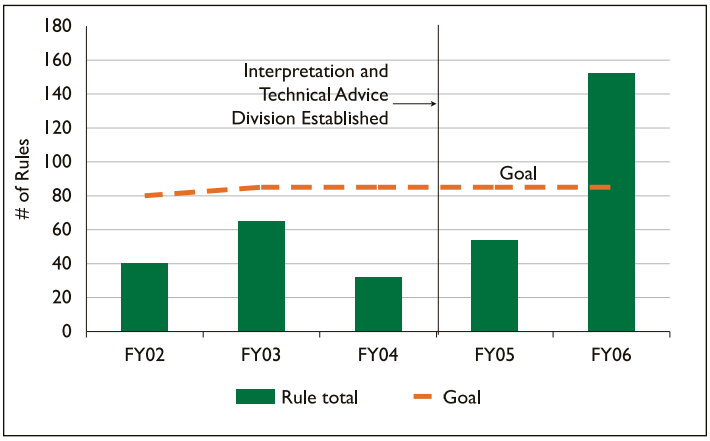
It is not effective to audit every business. To help encourage voluntary compliance, DOR utilizes information mailings targeted to specific industries. Figure 7.5-3 reflects the response to two targeted mailings to the professional service industry. An initial mailing was conducted in 1999 and a refresher was mailed in 2006. Results reflect a sustained higher payment of use tax in comparison to all registered businesses.

Figure 7.5-3 Targeted Education Use Tax Program - Response Rate in Service Industry



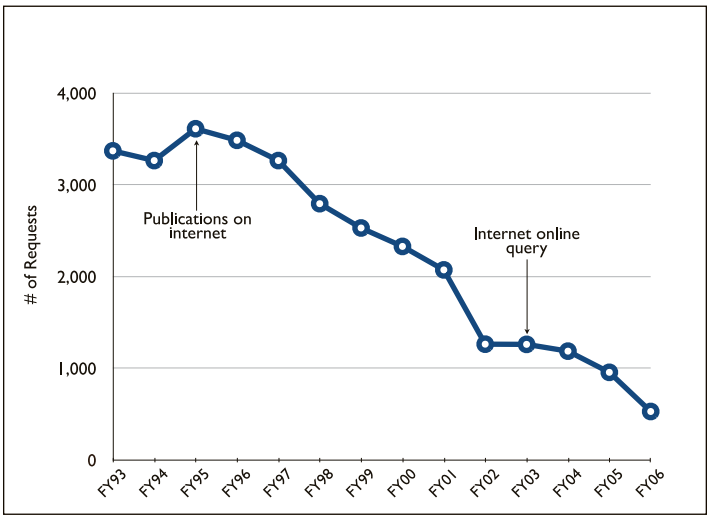
DOR's targeted education program continues to be successful in promoting voluntary compliance of use tax. Taxpayers who had not paid use tax in over a year were sent educational letters. Overall response to mailings nearly doubled after DOR revised a general flyer into a letter that used a "Plain Talk" approach. The program continues to evolve with use of the Agency's data warehouse to target mailings to industries with high noncompliance. Targeted education has proven to be a highly cost-effective way to improve taxpayer compliance.

Figure 7.5-4 Interpretive Statements Issued and Rules Adopted Exceed Goal



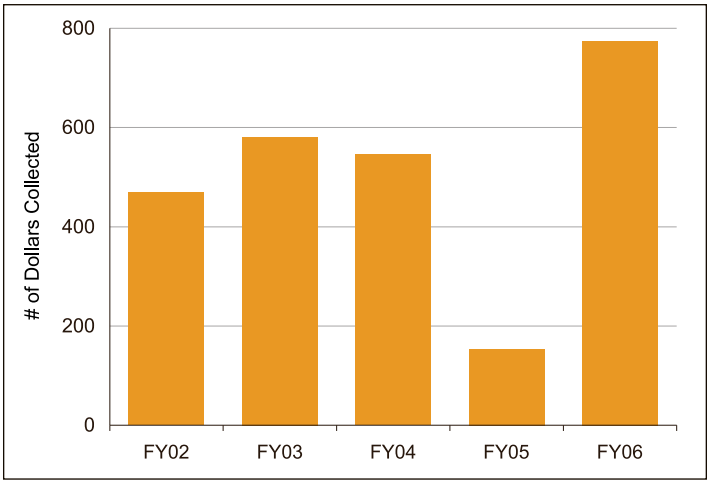
The Agency conducts stakeholder meetings to identify issues where changing business practices are not clearly addressed in statute. Interpretive rules clarify tax law to provide guidance for the Agency and taxpayers. The decision to dedicate staff to the rules process has improved the capacity to increase DOR's direct contacts with taxpayers so that issues are identified and resolved by rule, agreement, and, in some cases, statutory changes.

Figure 7.5-5 Online Information Reduces Requests for Personal Assistance



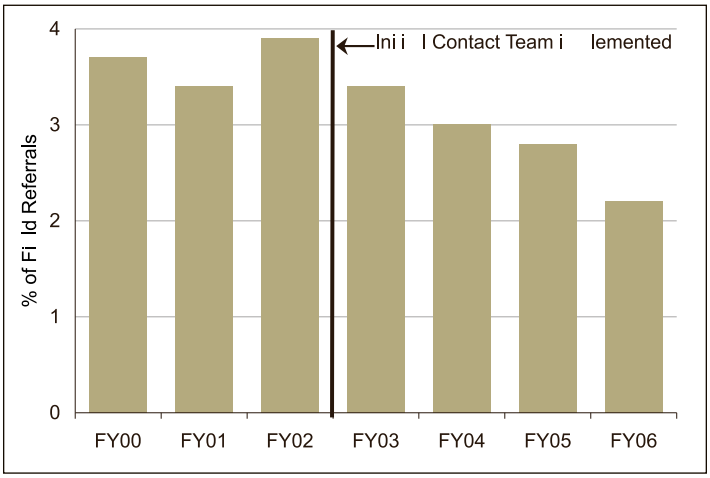
DOR's Research division has data that is useful to business owners, city planners, students, and other citizens. To provide increased access DOR publishes data and studies on its Internet site. DOR has saved thousands of employee hours while maintaining service levels to data users.

Figure 7.5-6 Audit Recovery Per Hour Increases



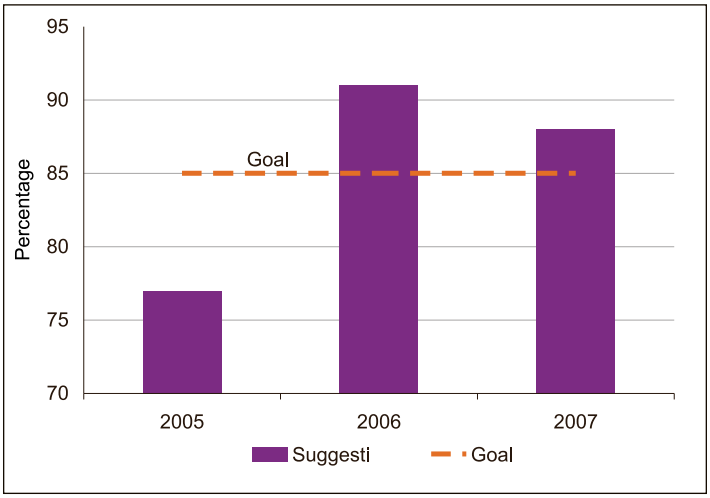
DOR increased the dollars collected per hour spent auditing businesses in FY06 by targeting industries that data mining techniques suggested were least compliant. This focuses enforcement efforts on problem areas while reducing audits of industries with a high level of compliance. FY05 collections per hour were low due to some unusually large refunds to taxpayers.

Figure 7.5-7 Field Referrals to Compliance Agents Reduced



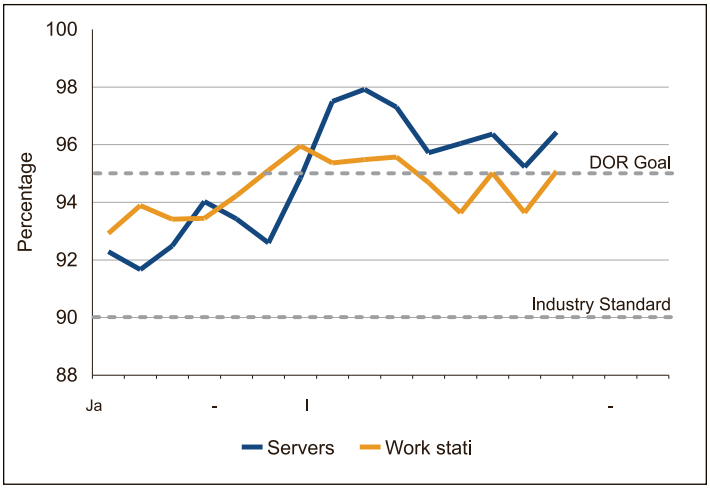
The cost of collecting overdue taxes is lower if taxpayer contacts are made by telephone instead of by field agents. DOR's centralized Initial Contact Team has reduced rates of referral to the field, thus reducing the cost of collections. Agents in the field office locations are able to spend more time addressing complex collection accounts.

Figure 7.5-8 Recommendations Incorporated into Legislative Bills



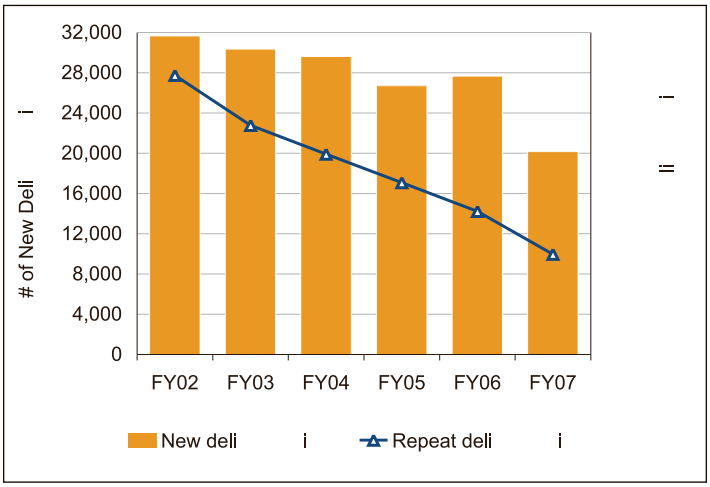
When legislators introduce tax-related bills, DOR actively makes recommendations to improve the legislation for administration and subsequent implementation. DOR set a goal in 2005 to have at least 85% of its suggestions incorporated into legislative bills. It easily exceeded those goals in 2006 and 2007.

Figure 7.5-9 Technology Patch Security Exceeds Benchmarks



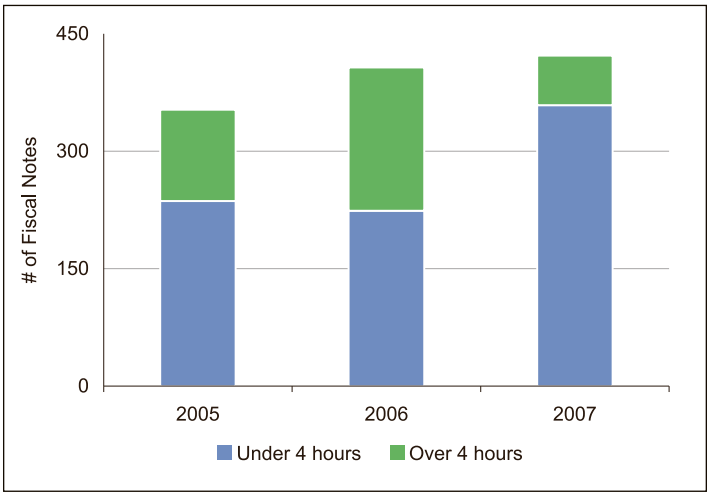
The IS division objective is to maintain a 95% patch level in our DOR servers and work stations. As illustrated, DOR has exceeded industry standards of 90%.

Figure 7.5-10 Reduction of Repeat Delinquent Accounts



The Compliance division is responsible for collecting delinquent taxes. Compliance staff perform an educational function as well as a collections function. The division has concentrated on efforts to quickly contact taxpayers and encourage them to pay on time. Education and a Cross-Agency Referral Team have reduced the number of new delinquency referrals and repeat delinquent accounts while the number of active registered accounts has grown 30% during the same time period.

Figure 7.5-11 Timeliness Improves Despite Fiscal Note Volumes



Legislators need to receive fiscal notes on legislation at least four hours before a hearing in order to make decisions. In 2006 the number of fiscal notes requested increased dramatically. By creating process efficiencies and temporarily rotating staff to fill in during peak periods, the Agency was able to maintain, and eventually improve, timeliness.

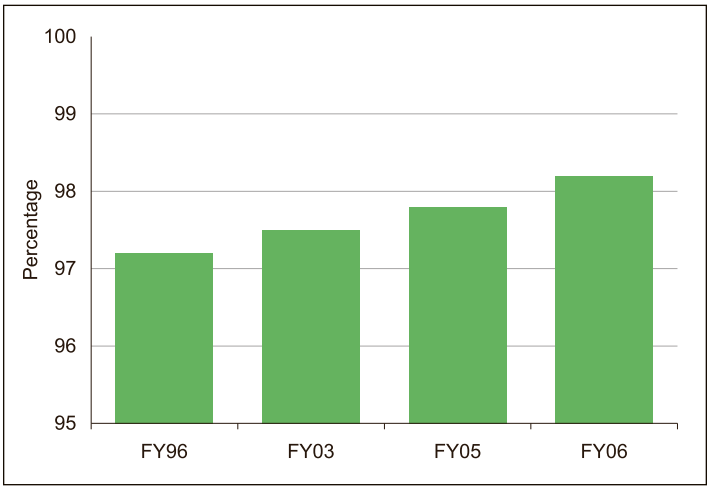
7.6 Leadership and Social Responsibility Outcomes
7.6a Leadership and Social Responsibility Results

7.6a(1) Organizational Strategy Accomplishments:

Figure 7.6-1 Recent Local and National Awards

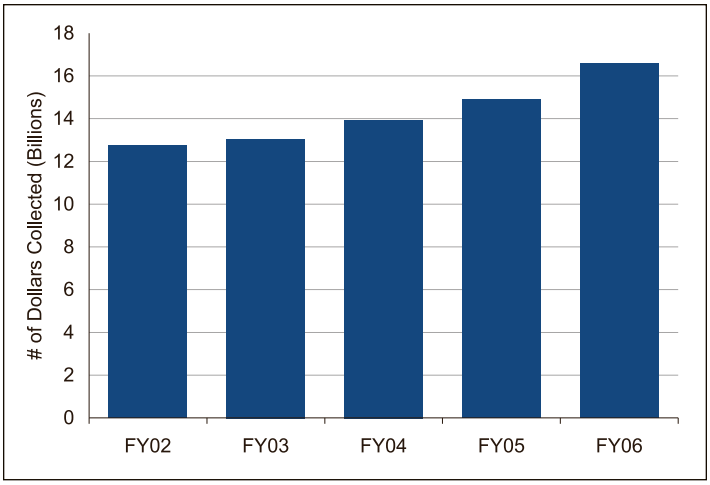
Year	Accomplishment	From
2002	Honorable Mention for SIMTAX Application	ASPA, Evergreen Chapter
2002	Exemplary Achievement Award for Taxpedia System	ASPA, Evergreen Chapter
2002	All Green Assessment Score Card for High Level of Performance	OFM
2003	Honorable Mention – Named Washington as one of only six states deserving of a four-star rating for quality tax administration	Governing magazine
2003	Sustained Leadership Award for making the most progress in serving its citizens through online programs and making government more accessible through technology.	Progress and Freedom Foundation and Center for Digital Government
2003	Honorable Mention – Described the Department of Revenue's web site as a 'must have' resource for Washington employers. It singled out the site's Taxpedia, Geographic Information System, and electronic filing as particularly valuable tools.	Washington Business Magazine (published by the Association of Washington Business)
2004	Co-Winner of Outstanding Compliance Program Award for Data-Driven Decisions (3D) Initiative	FTA
2004	Outstanding Management and Organization Initiative Award for Organizational Development Program	FTA
2004	Quality and Performance Award • Data Warehouse Project Team • Initial Contact Team, Quicker Calls to Delinquent Taxpayers Yields $2.9 Million	Governor
2004	Internal Process Management Award for Targeted Education	Governor
2004	Quality Award for Internal Process Results • Use Tax Targeted Education Team • Making Instructions Clearer Improves Use Tax Compliance	Governor
2005	Outstanding Public Service Award • Compliance Division • Initial Contact Team	ASPA
2005	Public Service Award for Outstanding Achievement by a Work Team (Initial Contact Team)	ASPA, Evergreen Chapter
2005	Honorable Mention • Data Warehouse Usage Recovers $13.7 Million and Saves Time • DOR Simplifies Filing Process for Utility Companies • E-Filing Hits Personal Property Tax	Governor's Office
2005	Honorable Mention for Fourteenth Consecutive Clean Audit	State Auditor
2006	Training in Best Use of Technology Award for Washington's Web-Based Tutorials	FTA

Figure 7.6-2 Voluntary Compliance Rates Continue to Increase



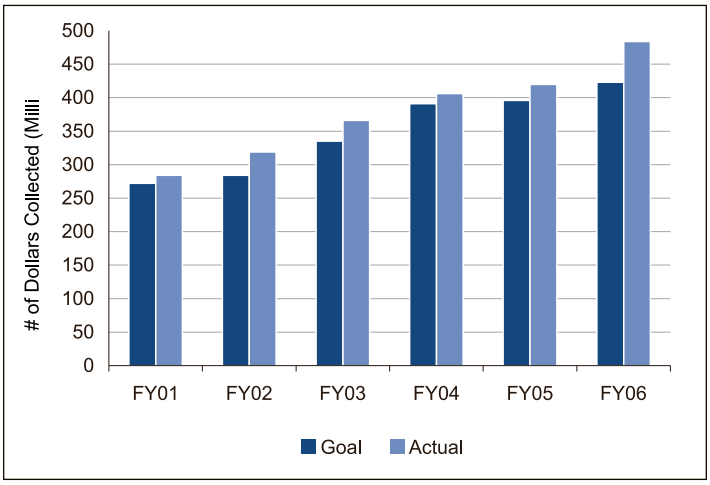
DOR's strategy is aligned with its overall vision of maximizing service delivery and achieving the highest levels of voluntary compliance. This demonstrates the results of DOR efforts to carry out its mission in an open and collaborative environment to fairly collect revenues.

Figure 7.6-3 Overall Tax Collections Continue to Increase



In addition, the mission states in part that the Agency "administer programs to fund public services." DOR's purpose statement is aligned with its mission: "Working Together to Fund Washington's Future." Both of these statements are monitored through the key measure of overall dollar collections. Measuring overall dollar collections allows a quick and visual review of progress toward funding public services and Washington's future.

Figure 7.6-4 Enforcement Collections Goals Exceeded



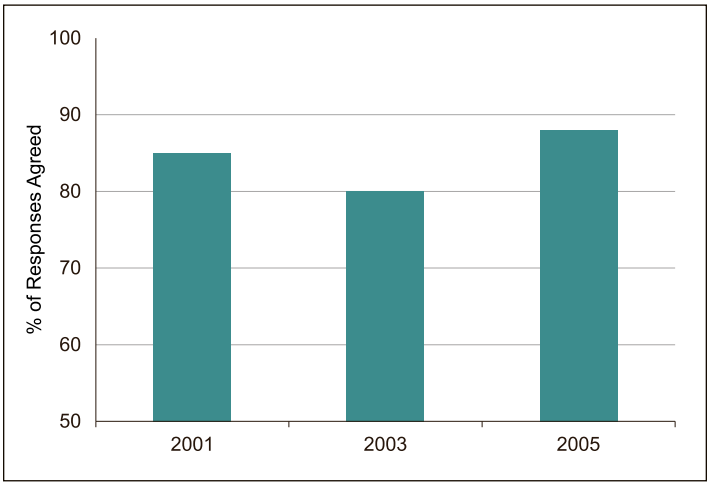
The Agency's vision is for all taxpayers to voluntarily comply with their tax obligations to Washington State. DOR's high voluntary compliance rate offers confidence in the Agency's performance, but DOR must also ensure a level playing field for all taxpayers and citizens. DOR's enforcement efforts through education, assessment, and investigation contribute to the voluntary compliance rate and result in further collections to fund critical services.

7.6a(2) Ethical Behavior and Stakeholder trust in senior leaders: The Agency keeps a pulse on the ethical climate through a variety of indicators. During the past five years (FY02-06), for example:

- The State's Whistleblower Program: No whistleblower cases were opened for investigation related to the Agency. In comparison statewide, SAO investigated over 350 assertions during this period. In this period 20 state agencies had ten or more assertions investigated.
- SAO Fraud Program: No fraud cases were opened for investigations related to the Agency. Statewide (including local government), the SAO investigated 307 cases involving losses in excess of $4.48 million.
- SAO Citizen Referral Program: Three complaints in 2005 and two complaints in 2003 were received and investigated by SAO related to the Agency. No reportable conditions resulted.
- EEB Enforcement Program: Four complaints were investigated during this period. Of these complaints three were dismissed (no-action) and one complaint regarding conflict of interest was validated. In comparison, the EEB took enforcement action statewide on over 41 investigations.

In addition, the Agency has strong confidence in its employees' understanding of ethical requirements and expectations through monitoring results from the ESS.

Figure 7.6-5 "I Understand How the State Ethics Regulations Apply to Me Directly" (ESS)



7.6a(3) Fiscal accountability: SAO audits Washington State's Comprehensive Annual Financial Report (CAFR) annually. The Agency is responsible for the accuracy and completeness for five material CAFR accounts: Retail Sales Tax, Business and Occupation Tax, Property Tax, Taxes Receivable, and Deferred Revenues. The Agency has an unblemished record for accuracy and completeness.

7.6a(4) Regulatory and legal compliance: The public nature of our work and the strong financial attributes and attendant risks require use of and adherence to regulatory and compliance standards and tools. The IA program serves as the Agency's audit liaison for external audits such as the SAO, IRS, and Performance Audits. The value of a strong liaison role and ability for external auditors to coordinate with IA is in part reflected in the results of the activities discussed below. Performance is assessed and monitored through external and internal assurance processes:

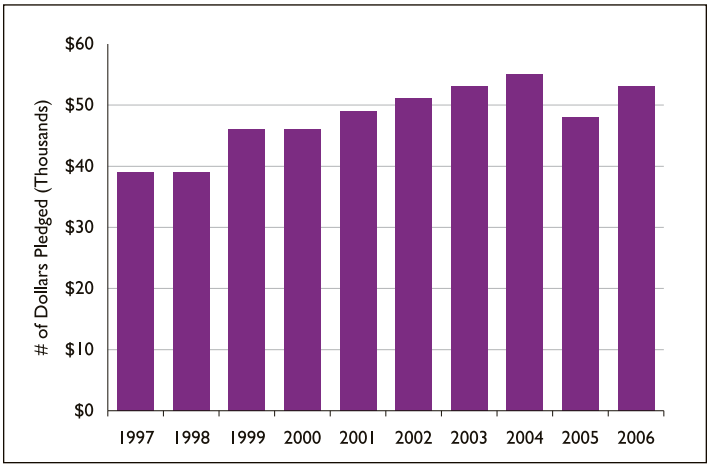
- SAO Annual Legal Compliance and Accountability Audits: The 2006 audit period was the Agency's 14th consecutive year for being "finding free" (no significant issues). DOR and two other agencies were recognized as the three agencies, out of 173, having a track record of audits without findings.
- IRS Information Safeguard Audits: The IRS performs an on-site compliance audit (1075 safeguarding regulations) every three years as a condition for continued DOR access to IRS information that is used for compliance and tax discovery. In the 2005 audit the IRS found a DOR security compliance level of 98%. The IRS reported they had never seen results this high and that the national average ranges between 50-55%.
- DOR's Internal Audit Program: The IA program uses an integrated audit approach and is staffed by the IA Manager, an Operations and Financial Audit Manager, and an Information Systems Audit Manager. Because DOR relies heavily on technology solutions for its business processes, an integrated audit approach is ideal for comprehensive yet efficient engagements and achieving value-added services.
- External Quality Assessment: In 2006 the program had an external quality assessment to ensure the program was performing its work in accordance with Institute of Internal Auditors Standards and received the highest of three possible ratings.

Figure 7.6-6 IA 2006 External Quality Assessment Results

Overall Rating 3.7 (4=Excellent, 3=Good, 2=Fair, 1=Poor, 0=n/a)	
Relationship with management	3.7
IA staff	3.7
IA consulting services	3.6
Management of IA activity	3.6
Value added	3.6

7.6a(5) Organizational citizenship:

Figure 7.6-7 Employees Voluntarily Participate in Combined Fund Drive



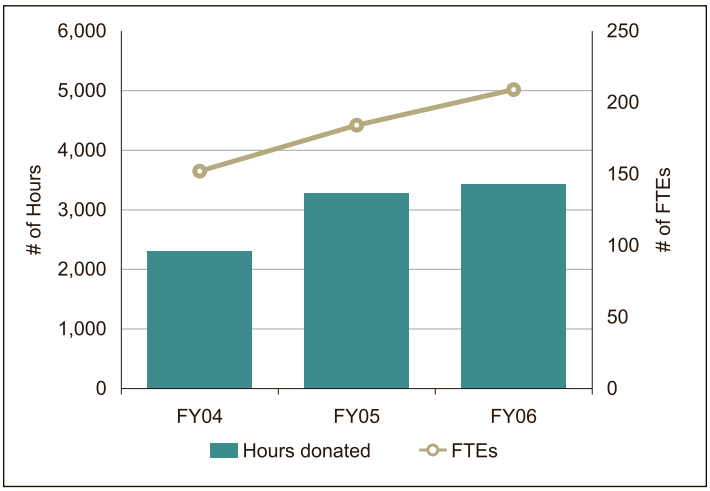
DOR sponsors a CBF every year to encourage employees to contribute to the charity of their choice by signing up for an automatic payroll deduction or direct contribution. Overall contributions from employees have continued to grow. DOR runs an annual campaign to continue to provide education and options for people who want to give back to their community though various charities.

Figure 7.6-8 Agency Supports Community Events (2006)

Program	Charity	Agency Participation
Adopt A Family Program	Various Low-Income Families	Agency wide
Adopt A Senior	Low-Income Seniors in Care Facilities	Field Office
Breakfast Fundraiser	Thurston County Food Bank (TCFB)	Division
Soup Fest Fundraiser	Safe Place	Division
Gift Donation Drive	Hopelink	Field Office
ICSEW Clothing Drive	Work First	Agency wide
Northwest Harvest Food Drive	Northwest Harvest	Field Office
School Supply Drive	Opportunity Council	Field Office
Chili Fest	Northwest Harvest	Field Office
Chili Cook-off	Northwest Harvest	Division
Well Fed, Well Read Food and Clothing Drive	TCFB and South Sound Reading Foundation	Agency wide

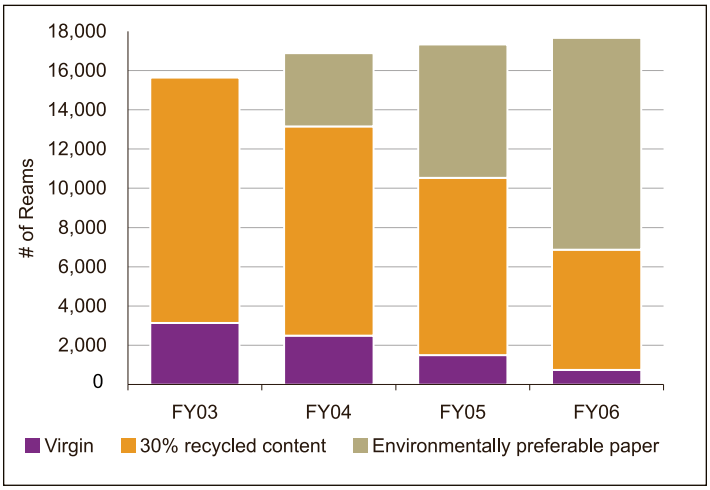
The Agency is connected with the community through other charity events. Support is demonstrated through both monetary donations and service hours.

Figure 7.6-9 Employees Donate Leave to Help Coworkers



In addition to supporting the external community, DOR employees have a spirit of internal community and believe in supporting the needs of coworkers as well. DOR employees continue to donate their earned leave at increasing rates.

Figure 7.6-10 Increasing Sustainability by Purchasing Environmentally Preferable Paper



DOR employees are also conscious of the environment and do their part to contribute to environmental sustainability. Sustainable practices such as recycling and the purchase of environmentally preferable paper are integrated into the daily work.