



Memorandum

To: Honorable Jerome E. Horton, Chairman
Honorable Michelle Steel, Vice Chair
Honorable Betty T. Yee, First District
Senator George Runner, Second District
Honorable John Chiang, State Controller

Date: September 12, 2014

From: Cynthia Bridges 
Executive Director

Subject: **Board of Equalization – Accomplishments Report for Fiscal Year (FY) 2013-14**

We are pleased to report the Board of Equalization's (BOE) accomplishments for FY 2013-14 presented in the context of the BOE's *Strategic Plan 2010-15*. Consistent with BOE's mission to serve the public through fair, effective, and efficient tax administration, these accomplishments enhance operational efficiency and effectiveness in order to better serve taxpayers, the public, and BOE employees, as well as safeguard taxpayer rights. The BOE's accomplishments as they relate to the Strategic Plan are summarized below.

Goal 1 – Improve the Taxpayer Experience

- **Check 21 Implemented.** The BOE implemented electronic transfer of check data and images directly to BOE's eight partner banks, eliminating the need to send paper checks. Since Check 21's implementation in September 2013, 1.5 million checks were deposited, totaling \$1.9 billion. The new system catapults the BOE into 21st century check processing standards, provides more effective check storage and retrieval, and facilitates research on payments made by taxpayers.
- **Online License Renewals.** Online license renewal functionality is now available for cigarette and tobacco retailers, distributors, wholesalers, manufacturers, and importers, and International Fuel Tax Agreement motor carriers. In the four months since its implementation, over 4,400 licenses were renewed electronically.
- **Online Installment Payment Agreements (IPA).** The BOE expanded its online services to provide taxpayers with outstanding liabilities the ability to request a payment plan online. Taxpayers' requests for a payment plan meeting set guidelines are automatically approved. Requests not meeting the auto-approval criteria are referred to collection staff for follow up. From December 2013 to June 2014, more than 10,000 IPA requests were received electronically, allowing staff more time to focus on other debt collections.
- **New Geospatial Information System (GIS) Tax Rate Lookup Tool.** The BOE, in conjunction with the California Technology Agency, utilized GIS data to create a new tax rate lookup tool available to the public on the BOE website. This tool allows taxpayers to enter an address and receive the correct sales and use tax rate.
- **Mobile Apps 1.2 — Use Tax Payments.** The Mobile Application was extended to include the ability to make use tax payments. This functionality is part of the eRegistration process available on the Mobile Apps for iPhone and Android devices.

- **Open Data Portal Launched.** Created with taxpayers and the general public in mind, the Open Data Portal webpage provides efficient, centralized access to BOE's publically available data in easy-to-use formats. The new web page provides public access to selected agency data in the form of customizable options for viewing in multiple charts and tables. There were 2,852 visits to the Open Data Portal page during the initial three months of its existence.
- **BOE Website Redesign.** The BOE website was redesigned with a new look for the home page and a more user friendly site layout for enhanced taxpayer experience. The new design was based on user surveys and taxpayer input.
- **Live Web Broadcasts.** Board meetings are now also streamed live on mobile devices via the BOE's YouTube channel for the public's convenience.
- **Customer Service Center (CSC) Efficiencies.**
 - **Increase in Calls Handled.** The CSC, with the help of the Return Analysis Unit answered 625,235 calls in FY 2013-14. This was a 4.8% increase in calls from the previous year without an increase in average call length. The CSC was able to handle the increased calls while maintaining the target average wait time of 90 seconds.
 - **Decrease in Abandoned Calls.** While the total number of calls increased for FY 2013-14, the CSC experienced a 49.5% decrease in abandoned calls compared to the prior year. This resulted in approximately 29,000 additional callers receiving assistance with their tax issues. The lowered abandoned call rate can be directly attributed to CSC's employees' dedication, a comprehensive training program for Customer Service Representatives, and management's efficiency in handling CSC's staffing needs.
- **Security Deposit Refunds.** In consideration of the challenges facing small businesses in California, on December 17, 2013, the BOE voted to end security deposit requirements for many businesses. Existing accounts in good standing had their security deposits released and new taxpayers are no longer required to post a security deposit at the time of registration. The BOE released security deposits on more than 9,500 accounts, totaling over \$95 million.
- **Tax Appeals Assistance Program Expanded.** The free legal assistance provided to qualified business taxes appellants was expanded to assist individuals with appeals related to dual determinations. 86 taxpayers were contacted and 23 accepted the offer for assistance.
- **New Publication Provided with Collection Notices.** Publication 54A, *Behind on Your Payment? What You Need to Know*, is now provided to taxpayers as an insert with collection notices that formerly only referred the recipient to the BOE website for the more detailed publication 54, *Tax Collection Procedures*. The new publication summarizes collection procedures and outlines taxpayer rights.
- **BOE Efforts to Improve the Taxpayer Experience Recognized.** During this reporting period, the following BOE projects were recognized for their achievements:
 - **Financial Institutions Record Match (FIRM) Project:** *2013 Best IT Collaboration among Organizations - Project Excellence Award - Center for Digital Government*
 - **eRegistration System:** *2013 Digital Government Achievement - Government to Business Award - Center for Digital Government*
 - **Electronic Services Expansion Project (ESEP):** *2013 State IT Recognition Award - Government to Business Category - National Association of State Chief Information Officers (NASCIO)*
 - **BOE.CA.GOV Re-engineered Website:** *2013 First Place Award for Excellence - California Association of Public Information Officials (CAPIO); 2014 Internet Communications Silver Award - State Information Officers Council*
 - **"What Makes It Possible" Video:** *State Information Officers Council Honorable Mention Award.* Released concurrently with the redesigned website, this introductory video explains what the BOE is, what it does, and what it offers.

- **Medi-Cal Managed Care Tax Program.** The BOE implemented this new program for the collection of sales tax imposed on Medi-Cal Managed Care plans. New return forms were created and extensive testing was done to ensure a smooth implementation. Returns and payments processed for Managed Care accounts totaled \$388 million in the initial filings.
- **First Phase of Redistricting Project Completed.** BOE implemented phase 1 of the Redistricting Project, in response to the redrawn boundaries by the California Citizens Redistricting Commission. The first phase included the opening of a new office in Santa Clarita. The Technology Services Division (TSD) redistributed 206,168 taxpayer accounts to the new Santa Clarita office. The new boundaries for the BOE districts are effective January 1, 2015.
- **Field Office Moves and Enhancements.** The BOE opened a new field office in Santa Clarita and relocated the Salinas branch office. Both offices offer taxpayers easy freeway access and improved customer service lobbies with self-service kiosks. TSD set up the local area and wireless networks and moved a total of 90 workstations, along with printer set-ups, and provided on-site support, minimizing staff down-time. Also, the BOE expanded the Oakland, San Francisco, and Irvine district offices, and installed security equipment upgrades in 25% of the field offices.

Goal 2: Maximize Voluntary Compliance

- **Automated Calls Using Proactive Outreach Manager (POM).** More than 150,000 automated calls were made to taxpayers with a recent history of late return filings, reminding them of the approaching due dates to file returns. Compared to the control group, taxpayers receiving these reminder calls were 8% more likely to file their returns on time.
- **Improvements in Delinquency/Revocation Process.** This process, which complements electronic filing, provides for more timely notices to taxpayers who are delinquent in filing their returns. Previously, due to the time necessary to process paper returns, delinquent accounts were sent a delinquency notice 40 days after the return due date. With expedited return processing as a result of e-filed returns, the first delinquency notice is now sent via email to the taxpayer 14 days after the return due date. The overall process that begins with notification of delinquency and ends with revocation of a permit has now been shortened from 175 days to 100 days.
- **New Industry Specific Webpages Added.** As the BOE moves toward more online services, industry specific webpages were created for 17 specific industries to provide businesses within these industries with more focused information to help them voluntarily comply.
- **Property Tax Guidance.** In order to continue to provide education and outreach to county assessors and other interested parties, Property Tax staff issued guidance via Letters to Assessors on the following issues: *Effective Administrative Practices – Assessment Appeals Process*, *Evaluating Embedded Software Studies for State-Assessed Property*, *Property Tax Rulemaking by the State Board of Equalization*, and *Effective Administrative Practices – Disabled Veterans' Exemption*. The Board also adopted and authorized publication of Assessors' Handbook Section 410, *Assessment of Newly Constructed Property*.
- **Sales Suppression and Detection Techniques Symposium.** The BOE hosted a symposium on sales suppression in Pasadena. Participants included representatives from 24 different states, Canada, IRS, FTB, and EDD. The symposium offered a forum for government tax agencies to convene regarding the "point-of-sale" study. The two-day event featured prominent keynote speakers and a mix of general sessions and breakout sessions.
- **Use Tax Video Series.** Four short videos were created to explain use tax and the importance of use tax to the state of California. Featured on our BOE website, news releases, and shown at outreach events, these videos have been watched more than 7,600 times. The video series has earned two prestigious awards: *State Information Officers Council Gold Award* & *CAPIO Award of Distinction*.

- **Use Tax Media Campaign.** The BOE strategically sent seasonal news releases and social media posts about use tax that resulted in \$102,000 worth of media coverage.
- **Telephone Town Halls.** Board members and staff can now answer questions and educate taxpayers about BOE programs and benefits via live teleconference on specific industry topics. This allows the members and BOE subject matter experts to reach out to stakeholders in a convenient way.
- **News Conferences.** The BOE coordinated five news conferences regarding tax evasion, excise tax on gasoline, challenges affecting the BOE building, and new regulations affecting mobile food trucks.
- **Taxpayer Education Materials.** To educate the taxpayers on their responsibilities in the reporting and payment of taxes, and their rights in dealing with the BOE, the Forms and Publications Section created:
 - 160 eblasts
 - 15 newsletters
 - 32 new publications
 - 90 revised publications
 - 202 new forms
 - 330 form updates
 - 16 special notices

The Graphic Design Team accounted for:

- 990 new projects
- 653 completed job requests
- 305 additional Outreach jobs, such as invitations, programs, and other event materials.

Goal 3 - Invest in a Skilled, Motivated and Diverse Workforce

- **Career Advancement Program.** The Workforce Planning Section, Sales and Use Tax Department and Property and Special Taxes Department partnered together in the creation and implementation of the BOE's Career Advancement Program (CAP). CAP allows employees designated in the Associate Tax Auditor and Business Taxes Specialist I classifications the ability to gain a working knowledge of functions in multiple areas of the Sales and Use Tax Department and Property and Special Taxes Department through a twelve-month rotational program. A total of 8 employees completed the program and attended the first ever CAP Graduation Celebration held on May 28, 2014.
- **Mentoring Program.** The BOE's Mentoring Program was implemented as a way to invest in a skilled, motivated and diverse workforce. It has created a learning partnership between mentors and mentees for the purpose of enhancing skill sets and fostering professional growth and development. At the conclusion of its first year, a total of 116 employees completed the program and 84 of them attended the first ever Mentoring Program Graduation Celebration on May 21, 2014.
- **Professional Development Days Organized.** Professional Development Days were organized for Equalization Districts 1, 2, 4 and in Sacramento for headquarters employees. These events provided staff the opportunity to interact with one another, gain valuable career-related training and obtain valuable insights from renowned speakers.
- **Recruiting and Hiring Pilot Program.** The BOE initiated a hiring and recruitment pilot program in an effort to create a more robust recruitment process. The program focuses on the specific recruiting and hiring needs of the departments in order to fill vacancies with the best candidates. Periodic hiring gives BOE the opportunity to initiate a significant hiring effort at specific times during the year, instead of sporadic hiring and interviews throughout the entire year. 90 entry level positions were filled under this program.
- **Student Assistant and Limited-Term Supervisor Program.** The BOE initiated a new internship/student assistant program to enhance the recruitment process. This program focuses on attracting highly qualified interns/student assistants and offers them knowledge and work experience in

entry level positions. The program also focuses on attracting limited-term supervisors to manage the work of interns and student assistants. 34 positions were filled under this program.

- **College Courses Offered Onsite.** In keeping with the BOE upward mobility program for staff development, the Human Resources Division offered an onsite Financial Accounting 301 college course in Sacramento and in Norwalk. Over 113 employees enrolled in the classes to enhance their qualifications for advancement to professional positions.
- **Information Technology Infrastructure Library (ITIL) Training.** 75 TSD employees (approximately 30% of TSD staff) completed the ITIL certification training course. ITIL is a proven methodology that creates improved customer satisfaction and relationships as well as better reliability and quality of services provided by IT organizations.
- **Disability Advisory Committee Receives Recognition.** In recognition of its strong support for BOE's hiring, promotion, disability awareness and fair treatment of persons with disabilities, the Disability Advisory Committee (DAC) was selected as the recipient of the 2014 DAC of the Year Award, given by the Association of California State Employees with Disabilities (ACSED). ACSED and the Statewide Disability Advisory Council (SDAC) have teamed up for the past four years to honor the top three DACs in State Government.
- **Online Junior Property Appraiser Exam.** The Junior Property Appraiser online exam was placed in service October 2013 to assist in recruitment of entry level positions in Property Tax.
- **Take 5 Training Videos.** Short online training videos lasting about 5 minutes each were created for a variety of topics to assist staff in performing daily duties or specialized work related tasks.
- **Online CPA Continuing Professional Education.** The BOE has made available to CPAs online training that qualifies toward their continuing professional education requirement.

Goal 4 - Enhance Operational Effectiveness

- **4 Disciplines of Execution (4DX).** The BOE implemented Franklin Covey's "4 Disciplines of Execution" to help achieve audit and compliance Wildly Important Goals (WIGs) in the field offices. The field offices fully implemented 4DX in January 2014. As a result, the Sales and Use Tax Department reduced its accounts receivable by 9.9%, and hours per audit by 6.4%.
- **BOE Risk Assessment Site.** The TSD created the Risk Assessment site in partnership with the Internal Audit Division. The SharePoint site was developed as a resource and collaboration tool as well as data repository for BOE Risk Assessment information. The site enables BOE management and staff to actively participate in the BOE Risk Assessment effort to identify risks associated with the agency's key processes and key process objectives, as well as the related monitoring and mitigating controls.
- **Southern California Appeals and Settlement Unit.** Through its Southern California Appeals and Settlement Unit, the BOE exceeded its estimated accelerated assessed revenues by resolving appeals, settling cases and educating taxpayers on their reporting and compliance requirements. Due to these efforts, assessed revenues of over \$85 million were accelerated.
- **Revenue Allocation Examination.** Conducted an examination of sales and use tax revenue allocation processes. This detailed review resulted in accounting adjustments to fund allocation reports.
- **Underground Economy Collaborative Highlights.**
 - As a member of the newly established Tax Recovery and Criminal Enforcement (TRaCE) Task Force, the BOE participated in one of the largest multi-departmental search warrants in its history. The search warrants were executed on 16 locations throughout the state by over 100 law enforcement personnel from seven different state and federal agencies. The search warrants

initially involved eight corporations with 43 licensed business locations with many criminal violations related to BOE, DOI, EDD and FTB. As a result of the search warrants, the BOE identified 23 additional unlicensed locations. The success of this effort is an example of the commitment the members of the TRaCE Task Force have made to investigate, prosecute, and recover revenue lost to the underground economy.

- The BOE continues to encourage and facilitate collaboration with both the private and public sectors to combat the underground economy, which gives an unfair, illegal advantage to those who fail to comply with California's tax and labor laws. For example, the BOE conducted a joint sweep with the Los Angeles Police Department and the Federal Bureau of Investigation of an area known as Santee Alley in the Los Angeles fashion district. Complaints of unlicensed vendors and adverse financial impact to the area's licensed business owners initiated this joint inspection of 120 vendors, resulting in 69 vendors identified as illegally operating without a seller's permit.
- **Information Technology (IT) Procurement Processing Efficiencies.** The Acquisitions Branch and TSD worked together to develop internal efficiencies for IT purchase order processing. A solution was developed which reduced the IT procurement processing time by 23% (13% higher than our goal).
- **Digital Petition Pilot Program.** The new digital petitions process was implemented in the Special Taxes Audit and Carrier Division that allows staff to scan, search, and view appeal case file documents. The digital petition process has created a more efficient work flow for staff to efficiently work a case file from beginning to end, and it has allowed other units to view digital appeal case documents without having to request hard copy files.
- **Digital BOE – Document Conversion.** The BOE converted and stored 12 million taxpayer files in digital format in FY 2013-14, completing the Taxpayer Records Imaging Project. Since the project's implementation in April 2012 as part of the Digital BOE Initiative to improve internal efficiency by converting paper documents to electronic formats, the BOE has converted more than 32 million taxpayer files.
- **Learning Management System.** In keeping with BOE's philosophy of maintaining a culture of excellence, the Training and Employee Development Section (TED) released the Learning Management System (LMS), effective September 16, 2013. The LMS is accessible to all employees on eBOE. The system allows employees to view training calendars, register for classes and review personal training transcripts. New to this system is the requirement that supervisors approve or deny all training requests submitted by their employees. Additionally, numerous reports will be available as data is added to the program.
- **Property Tax Self-Study Training Sessions.** The BOE implemented five new Property Tax self-study sessions in its continued effort to promote assessment uniformity: *Overview of California Property Tax, Processing Applications for County Appeals, Restricted Historical Property, Newly Constructed Property, and Advanced Appraisal*. During FY 2013-14, 958 students used the self-study sessions.
- **BOE Efforts for Contracting with Small Businesses Recognized.** BOE's Acquisitions Branch achieved high honors at the 14th Annual State Agency Recognition Awards (SARA) 2013, receiving the following awards:
 - *Secretary's Special Achievement Award.*
 - *Most Notable Improvement for Disabled Veteran Business Enterprise (DVBE) Contracting for a Large Agency, for a 400% increase in contracting and procurements with the DVBE community.*
 - *Silver Award - Advocate of the Year for outstanding leadership and achievement in Small Business (SB)/DVBE advocacy and contracting.*
- **Awards for Publication Design.** The BOE earned the following 2013 *State Information Officers Council* awards:
 - *Gold Award for the External Affairs Department Accomplishment Report*

- *Silver Award for the FY 2012-13 BOE Annual Report*
- *Silver Award for the BOE Recruitment Campaign Poster*
- **Additional Information Security Systems.** The Information Security Office implemented Intrusion Detection/Intrusion Protection System (IDS/IPS), and a comprehensive Security Incident Event Monitoring system as required by the Internal Revenue Service.
- **Operations Recovery Center Established.** The BOE established an Operations Recovery Center in Irvine to deploy technology resources as part of the business resumption plan.
- **Digital BOE - Enterprise Content Management (ECM) Migration and Upgrade.** The ECM Migration and Upgrade project upgraded the infrastructure and imaging technology software used by the BOE to convert paper documents to an electronic format to make the imaging process more efficient.
- **Exchange 2010.** The Exchange 2010 project upgraded all of the BOE Exchange software from Exchange 2007 to curtail security vulnerabilities and provide the BOE end-users and system administrators with a vendor-supported, stable system, with additional functionality, and added reliability.
- **Automated Collection Management System (ACMS) Server Refresh.** In May 2014, BOE completed the ACMS server refresh project. In collaboration with the California Department of Technology Services, the BOE completed the following: (1) migrated the ACMS production hardware to new hardware at Department of Technology Services Gold Camp facility; (2) migrated the ACMS development/test environment from the Gold Camp to the Vacaville facility; and (3) conducted disaster recovery exercises on the development/test environment in Vacaville.
- **BOE Systems Upgraded.** All Windows XP systems from BOE's network were replaced, ensuring a continued high level of system security, support, and reliability. This milestone was achieved through the deployment of over 600 PCs and laptops.
- **Incompatible Windows 7 Apps.** This project resulted from the Windows 7/Office 2010 deployment in June 2013. TSD worked with each Department to address ten applications that were incompatible with Windows 7. The incompatible applications were replaced, upgraded, or removed from the BOE network infrastructure. This ensured the BOE was not using unsupported software and maintained compliance with the Microsoft Enterprise Licensing Agreement.
- **Service Request Processing.** TSD's Service Desk has closed 9,445 service requests, reducing the business impact of hardware and software failures experienced by BOE staff. This represents a 5% decrease over the previous year's closed service requests.
- **Network Improvements.** Network bandwidth was increased with the installation of upgraded circuits in the Culver City, Fairfield, and Irvine field offices. At headquarters, the storage area network and backup storage system's capacities were increased to meet future data file storage demands and ensure a more effective disaster recovery process.
- **Internal Property Tax Website.** Property Tax staff developed a SharePoint site in order to provide Property Tax staff with a one stop resource to assist in training new employees and provide procedures, tools, and links to other sites to assist all staff in their duties. Also included is a separate web page with information to assist managers and supervisors.

cc: Mr. Mike Gipson
Ms. Shellie Hughes
Mr. Joel Angeles
Mr. Alan LoFaso
Mr. Sean Wallentine
Ms. Marcy Jo Mandel
Mr. David Gau
Mr. Randy Ferris
Mr. Jeffrey L. McGuire
Ms. Brenda Fleming
Ms. Edna Murphy