

Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date: November 25, 2008

From :  Randie L. Henry, Deputy Director
Sales and Use Tax Department

Subject : **Enhancing BOE Collections - Task Force Update
December 17, 2008 Board Meeting Item P3a(1)**

At the December 17, 2008 Board Meeting, I will be providing an update on recent efforts and strategies developed to enhance BOE's collections and the Enhancing Collections Task Force activities.

Please place this item on the December 17, 2008 Board Meeting agenda under P3.a.1.

RLH:sm

cc: Ms. Diane Olson (MIC 80)

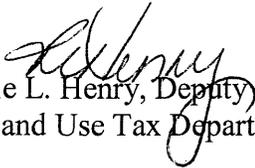
Approved: _____


Ramon J. Hirsig, Executive Director

Memorandum

To : Honorable Judy Chu, Ph.D., Chair
Honorable Betty T. Yee, Vice Chairwoman
Honorable Bill Leonard, Member
Honorable Michelle Steel, Member
Honorable John Chiang

Date: December 5, 2008

From :  Randie L. Henry, Deputy Director
Sales and Use Tax Department

Subject : **Enhancing BOE Collections - Task Force Update**
December 17, 2008 Board Meeting Item P3a(1)

This memo provides an update on the recent efforts and strategies developed to enhance BOE's collections now and in the future.

The Sales and Use Tax Department (SUTD) and the Property and Special Taxes Department (PSTD) continually strive to ensure its audit and compliance programs are as effective as possible. SUTD has been working on enhancing both the audit and compliance programs over the last two years and developing strategies for reaching program goals set. In January 2008, SUTD had set a collection goal of increasing each district offices' percentage of accounts receivable collected by ten percent (10%) in the calendar year 2008 and developed strategies for meeting this goal. The Enhancing Collections Task Force (Task Force), comprised of SUTD, PSTD, Taxpayer Rights Advocate and SEIU representatives, has been able to capitalize on some collection enhancements already in process or being researched for implementation.

Overall, a broad approach was used in gathering information and ideas for the purpose of providing a global perspective across BOE with solutions developed from all levels of staff and management. Although this approach was extensive and lengthy, it ensured the strategies and actions developed by the Task Force are in sync with the BOE's current strategic plan and goals. The following are some of the steps taken during this process:

- SEIU surveyed nearly 200 collection staff in 14 different offices.
- Departments surveyed all collection supervisors.
- Deputy Directors and Chiefs met with all collection supervisors to discuss the survey responses and ideas for enhancing collections.
- Obtained information on services offered by contract collection vendors from the Franchise Tax Board (FTB) and two contract collection vendors.
- Compliance Workgroup (that includes representatives from SUTD field and Headquarters staff, PSTD and Legal staff) has been tasked with assisting in developing policy and procedure enhancements.

After gathering information from collection staff, collection supervisors, FTB, and contract collection vendors, SUTD and PSTD management held several meetings in August and September 2008 to make decisions on specific strategies to pursue that will that capitalize on current resources and projects underway, employ innovative and fresh ideas, and identify efficiencies to apply statewide. Our enhancement strategies are the result of joint efforts of the Task Force in cooperation with SEIU, our staff and management.

For ease of discussion, the strategies have been categorized into three groups: Training and Work Tools, Policy and Procedure, and Technology. A brief summary of each strategy is provided below.

Training and Work Tools

- Revamp Collection Tools Page on eBOE
In June 2008, the collection tools page available on BOE's intranet site was updated. The page now contains an extensive list of active, online resources helpful for collection purposes. The information was also reorganized to allow the available resources to be more easily located. The page will continue to be updated on an ongoing basis as new tools are identified.
- Expand Availability of LexisNexis and Accurint
Access to LexisNexis and Accurint was expanded to Tax Technician IIIs performing collections and collection supervisors.
- Corporate Collections Training
Additional, specialized training was provided to approximately 80 district collectors and supervisors in late October and early November 2008. The purpose of the training was to enhance district staff's knowledge in issuing dual determination for corporate officers or other responsible persons.
- Additional LexisNexis and Accurint Training
In November 2008, additional training began for all collection staff. This hands-on training is intended to build upon LexisNexis and Accurint training previously provided to staff and will focus on using real-life collection cases. We anticipate the training effort will be completed in December 2008.
- Refresh and Continue Enhanced Collection Tools (ECT) Class
In Fiscal Year 2006/07, an ECT class was developed and provided to all collection staff. This class focused on training collectors to better utilize available collection tools and successful techniques used by other collectors. ECT Class will be refreshed and offered to new collectors beginning in early 2009.
- Reinstitute Quarterly Collector Workshops
In late 2008, the quarterly collector workshops were reinstated. These workshops provide a forum for collectors to discuss their collection cases, experiences and share their collection knowledge. The district trainer (discussed below) will be charged with coordinating these workshops in the future.

- District Trainer Positions

SUTD will designate a district trainer position in most district offices to devote greater attention to specialized collector training. All district trainers should be in place by mid-2009. It is anticipated the district trainers will be involved in the following specialized training efforts:

 - New Business Taxes Representative Training
 - ACMS Training
 - Field Call Training
 - Ongoing LexisNexis and Accurint Training
 - External Access Tracking System (EATS) Training
 - Quarterly Collector Workshops
- Laptop Pilot Program for Collection Field Calls

SUTD will implement a pilot program whereby collectors will use laptops or tablet PCs when making field calls. It is anticipated that the use of computers will add efficiencies in making field calls since collectors will be able to document their case notes following each field call. The pilot program is anticipated to begin in early 2009.

Policies and Procedures

- Standardized Collection Case Reviews

In 2006, a pilot project was conducted to standardize supervisors' review of a collector's case to ensure uniformity and case-specific feedback is provided to the collector. It is anticipated these reviews will also provide insight into the effectiveness of collection program improvements. The Standardized Collection Case Review was rolled out statewide at the end of 2007.
- Assignment of Collection Cases via Specialization Method

All district offices will use the "specialization" method for assigning workload. This method entails assigning specific types of collection cases (e.g., active, closed-out) to specific staff. Assigning cases in this manner will allow staff to develop expertise working specific types of cases which is, in turn, expected to increase efficiencies. Districts have already begun transitioning to the specialization method, and it is anticipated that all districts will have transitioned by January 2009.
- Pilot Program for Specialization of Compliance Supervisors

Beginning January 1, 2009, SUTD will implement a pilot whereby one supervisor in each district office will oversee compliance support functions (i.e., counter staff, cashier, escrow desk, etc.) and the remaining compliance supervisors will oversee collectors. (Currently, collection supervisors oversee both compliance support and collector staff.) This will allow collection supervisors to better focus on their collection staff's needs.

- Review / Improve Write-Off Policies and Procedures
The Compliance Group is performing a comprehensive review of existing write-off policies and procedures for the purpose of identifying changes to improve the process and promote uniformity statewide. We anticipate completion of this project by March 2009. In the interim, districts have been directed to utilize a checklist of collection tools that should be used prior to write-off.

Technology

- Auto Pay for Installment Payment Agreements
BOE will implement the Auto Pay program later this month. The program will allow the BOE to electronically debit the taxpayer's bank account for payments required by an installment payment agreement (IPA). Auto Pay is expected to enhance collections since it will reduce the number of taxpayers that default on their IPAs which, in turn, will reduce the time spent by staff following up with taxpayers who have missed a payment.
- On-line Appointment System
SUTD will implement an on-line appointment system which will enable taxpayers to make appointments via the Internet. This new tool will assist with field office walk-in traffic by spreading appointments out on non-peak days. In addition, the software purchased for this system integrates into our current method of tracking and monitoring visitors in our offices, and allows real-time viewing. Testing of the software is in process and the statewide rollout to the public is anticipated in early January 2009.
- Automated Wage Checks for Written-Off Liabilities
BOE plans to pursue enhancement of the ACMS system so that it can periodically, and automatically, determine if a taxpayer has wages reported to EDD. This will allow BOE to collect additional revenue on accounts previously written-off and no longer being actively worked. At this point, the implementation timeline is unknown until system enhancements necessary have been identified.

In addition to developing strategies for enhancing collections, we provided SEIU with a report (attached) which contains responses to questions and issues identified in their May 2008 report entitled *SEIU Local 1000 Findings & Recommendations on Methods to Enhance Tax Collections*. The Task Force met in mid-October to discuss and obtain SEIU's input on the strategies developed thus far in a draft report. The Task Force also met in mid-November to further discuss our strategies and address any subsequent questions SEIU identified.

Also attached is a revised action plan that summarizes the items that have been completed and our strategies for the future. At this point, we are not recommending that the BOE move forward with a contract collection vendor. SUTD and PSTD will work on implementing our collection enhancement strategies and may re-evaluate the need for any outside collection vendors at some point in the future.

We plan to continually revisit and refresh our collection program as new tools, technology and practices are identified. I will provide you with an update on the activities and accomplishments of the Task Force during the December 2008 Board Meeting. If you have any questions, please feel free to contact me.

RLH:sm

Attachments: Enhancing Collections Task Force Report- December 2008
Revised Action Plan for Enhancing Collections (December 2008)

cc: Mr. Steve Shea (MIC 72)
Mr. Mark Ibele (MIC 72)
Mr. Alan LoFaso (MIC 71)
Ms. Barbara Alby (MIC 78)
Mr. Michael Richman (MIC 77)
Ms. Marcy Jo Mandel
Mr. Ramon J. Hirsig (MIC 73)
Ms. Kristine Cazadd (MIC 83)
Mr. David Gau (MIC 63)
Ms. Liz Houser (MIC 69)
Mr. Todd Gilman (MIC 70)

Ms. Jennie Roitman
SEIU Local 1000, DLC 787
1325 S Street
Sacramento, CA 95811

**Enhancing Collections
Revised Action Plan (December 2008)**

CATEGORY/ ACTION	ESTIMATED COMPLETION DATE	COMPLETED
I. Staff Input		
A. SEIU – Worksite Meetings	5/16/2008	5/16/2008
1) Summarize and Provide Input Received	5/29/2008	5/29/2008
B. BOE Staff and Manager Input	5/13/2008	5/23/2008
1) Summarize Input Received	5/21/2008	5/31/2008
C. BOE Collection Supervisor Survey	7/15/2008	7/15/2008
1) Meetings with SUTD Collection Supervisors	7/23/2008	7/23/2008
2) Meetings with PSTD Collection Supervisors	9/12/2008	9/11/2008
D. Review Input Received from SEIU and Collection Supervisors and Identify Potential Improvements to Pursue	10/31/2008	10/10/2008
II. Information Gathering		
A. Obtain Information from FTB Regarding Their Contract Collection Program	6/30/2008	7/31/2008
B. Meet with Contract Collection Vendors to Obtain Information on Their Programs	7/31/2008	9/9/2008
C. Obtain and Review Survey of Collection Processes Utilized by Other States	10/31/2008	11/28/08
D. Review of Written-Off Liabilities	6/30/2008	7/10/2008
E. Review of Current Wages for Taxpayers with Written-Off Liabilities	6/30/2008	7/10/2008
III. Strategies – Training and Work Tools		
A. Revamp Collection Tools Page on eBOE	6/30/2008	6/18/2008
B. Expand Availability of LexisNexis and Accurint	7/31/2008	7/31/2008
C. Corporate Collections Training	11/14/2008	11/6/2008
D. Additional LexisNexis and Accurint Training	12/31/2008	
E. Refresh and Continue Enhanced Collection Tools (ECT) Class	3/31/2009	
F. Reinstitute Quarterly Collector Workshops	10/31/2008	10/8/2008
G. District Trainer Positions (phased in from 1/1/09 to 7/31/09)	7/31/2009	
H. Laptop Pilot Program for Collection Field Calls	3/31/2009	

**Enhancing Collections
Revised Action Plan (December 2008)**

CATEGORY/ ACTION	ESTIMATED COMPLETION DATE	COMPLETED
IV. Strategies – Policy and Procedure Changes		
A. Standardized Collection Case Reviews	12/31/2007	12/31/2007
B. Distribution of Collection Cases via Specialization Method	1/1/2009	
C. Pilot Program for Specialization of Compliance Supervisors	1/1/2009	
D. Review/ Improve Write-Off Policies and Procedures	3/31/2009	
V. Strategies – Technology Enhancements		
A. Auto Pay for Installment Payment Agreements	12/16/2009	
B. On-line Appointment System	1/16/2009	
C. Automated Wage Verification for Written-off Liabilities	TBD	

ENHANCING COLLECTIONS TASK FORCE

Report - December 2008

I. PURPOSE

This report summarizes the activities of the Enhancing Collections Task Force (Task Force) and identifies the actions SUTD and/or PSTD has taken, or plans to take, to enhance collections.

II. SUMMARY

The Task Force was formed in early 2008 to identify opportunities for enhancing BOE's collections and to gather information regarding contract collections. The Task Force was comprised of staff from the Sales and Use Tax Department (SUTD), the Property and Special Taxes Department (PSTD), the Taxpayers' Rights Advocate office, and representatives from the Service Employees International Union, Local 1000 (SEIU).

In May 2008, SEIU held meetings with collection staff at 14 worksite locations statewide. During these meetings, SEIU gathered input with regard to collection staff's concerns and suggestions for improving the BOE's collection program. The information gathered by SEIU was contained in a report which was presented to the Board Members in May 2008.

SUTD and PSTD used a comprehensive approach addressing staff's concerns, gathering additional ideas on enhancing collection and evaluating those ideas. This approach provided a global perspective across BOE with solutions developed from all levels of staff and management. While this approach was extensive and required additional time to accomplish, it ensured our responses and actions were in sync with the BOE's current strategies and goals while having a holistic view at the ideas for enhancing collections for our agency. The following are some of the steps taken in this process:

- In June 2008, both departments distributed a comprehensive survey to all collection supervisors that identified staff's concerns and solicited ideas for enhancing BOE's collection program. Responses to this survey were important in determining fact from perception and allowed management an opportunity to identify topics of discussion for subsequent meetings.
- SUTD's Deputy Director and Chiefs of Field Operations met with essentially all collection supervisors at four, all-day meetings held in July 2008. These meetings provided management with an opportunity to not only discuss the survey responses but to also discuss any other topics not covered by the survey. PSTD's Deputy Director also met with PSTD collection supervisors to discuss the survey responses and to obtain input on various issues.
- The Task Force gathered information regarding the services offered by contract collection vendors beginning with the Franchise Tax Board's (FTB) contract collection program. The FTB has many years of experience with contract collections and was, therefore, a valuable source of information. The Task Force also met with representatives from two contract collection vendors in September 2008. The primary purpose of these meetings was to allow the Task Force members to obtain a better understanding of the services provided by a contract collection vendor.

After gathering information from collection staff, collection supervisors, FTB, and contract collection vendors, SUTD and PSTD management met several times in August and September 2008. The primary goal of these meetings was to develop a roadmap for enhancing our collection program that was in sync

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with BOE's current strategic plan and integrating these changes into our compliance program in the most cost effective method as possible. The primary strategies, those which are anticipated to have the largest benefit to BOE collections, are identified in the "Primary Actions" section of this report (see Section III). Additionally, the questions, issues, and suggestions contained in SEIU's report are addressed and discussed in the "Addressing SEIU's Questions and Concerns" section of this report. (see Section IV).

III. Primary Actions

This section identifies the actions expected to yield the largest benefit in enhancing BOE's compliance and collection program. Some actions were under development prior to the formation of the Task Force, while other actions were developed as a result of the Task Force's activities. Several of the actions have been implemented while most of the remaining actions are expected to be implemented during 2009.

For ease of discussion, the actions have been categorized into three groups: Training and Work Tools, Policies and Procedures, and Technology . A brief summary of each strategy is provided below.

A. Training and Work Tools

1. Revamp Collection Tools Page on eBOE

In June 2008, the collection tools page available on BOE's intranet site was updated. The page now contains an extensive list of active, online resources helpful for collection purposes. The information was also reorganized to allow the available resources to be more easily located. The page will continue to be updated on an ongoing basis as new tools are identified.

2. Expand Availability of LexisNexis and Accurint

Access to LexisNexis and Accurint was expanded to Tax Technician IIIs performing collections and collection supervisors.

3. Corporate Collections Training

Additional, specialized training was provided to approximately 80 district collectors and supervisors in late October and early November 2008. The purpose of the training was to enhance district staff's knowledge in issuing dual determination for corporate officers or other responsible persons.

4. Additional LexisNexis and Accurint Training

In November 2008, additional training began for all collection staff. This hands-on training is intended to build upon LexisNexis and Accurint training previously provided to staff and will focus on using real-life collection cases. We anticipate the training effort will be completed in December 2008.

5. Refresh and Continue Enhanced Collection Tools (ECT) Class

In Fiscal Year 2006/07, an ECT class was developed and provided to all collection staff. This class focused on training collectors to better utilize available collection tools and successful techniques used by other collectors. ECT Class will be refreshed and offered to new collectors beginning in early 2009.

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6. Reinstitute Quarterly Collector Workshops

In late 2008, the quarterly collector workshops were reinstated. These workshops provide a forum for collectors to discuss their collection cases, experiences and share their collection knowledge. The district trainer (discussed in #7 below) will be charged with coordinating these workshops in the future.

7. District Trainer Positions

SUTD will designate a district trainer position in most district offices to devote greater attention to specialized collector training. All district trainers should be in place by mid-2009. It is anticipated the district trainers will be involved in the following specialized training efforts:

- New Business Taxes Representative Training
- ACMS Training
- Field Call Training
- Ongoing LexisNexis and Accurint Training
- External Access Tracking System (EATS) Training
- Quarterly Collector Workshops

8. Laptop Pilot Program for Collection Field Calls

SUTD will implement a pilot program whereby collectors will use laptops or tablet PCs when making field calls. It is anticipated that the use of computers will add efficiencies in making field calls since collectors will be able to document their case notes following each field call. The pilot program is anticipated to begin in early 2009.

B. Policies and Procedures

1. Standardized Collection Case Reviews

In 2006, a pilot project was conducted to standardize supervisors' review of collection cases to ensure uniformity and to provide case-specific feedback to collectors. It is anticipated these reviews will also provide insight into the effectiveness of collection program improvements. The Standardized Collection Case Review was rolled out statewide at the end of 2007.

2. Assignment of Collection Cases via Specialization Method

All district offices will use the "specialization" method for assigning workload. This method entails assigning specific types of collection cases (e.g., active, closed-out) to specific staff. Assigning cases in this manner will allow staff to develop expertise working specific types of cases which is, in turn, expected to increase efficiencies. Districts have already begun transitioning to the specialization method, and it is anticipated that all districts will have transitioned by January 2009.

3. Pilot Program for Specialization of Compliance Supervisors

Beginning January 1, 2009, SUTD will implement a pilot whereby one supervisor in each district office will oversee compliance support functions (i.e., counter staff, cashier, escrow desk, etc.) and the remaining compliance supervisors will oversee collectors. (Currently, collection supervisors oversee both compliance support and collector staff.) This will allow collection supervisors to better focus on their collection staff's needs.

4. Review / Improve Write-Off Policies and Procedures

The Compliance Group is performing a comprehensive review of existing write-off policies and procedures for the purpose of identifying changes to improve the process and promote uniformity statewide. We anticipate completion of this project by

ENHANCING COLLECTIONS TASK FORCE

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March 2009. In the interim, districts have been directed to utilize a checklist of collection tools that should be used prior to write-off.

C. Technology

1. Auto Pay for Installment Payment Agreements

BOE will implement the Auto Pay program later this month. The program will allow the BOE to electronically debit the taxpayer's bank account for payments required by an installment payment agreement (IPA). Auto Pay is expected to enhance collections since it will reduce the number of taxpayers that default on their IPAs which, in turn, will reduce the time spent by staff following up with taxpayers who have missed a payment.

2. On-line Appointment System

SUTD will implement an on-line appointment system which will enable taxpayers to make appointments via the Internet. This new tool will assist with field office walk-in traffic by spreading appointments out on non-peak days. In addition, the software purchased for this system integrates into our current method of tracking and monitoring visitors in our offices, and allows real-time viewing. Testing of the software is in process and the statewide rollout to the public is anticipated in early January 2009.

3. Automated Wage Checks for Written-Off Liabilities

BOE plans to pursue enhancement of the ACMS system so that it can periodically, and automatically, determine if a taxpayer has wages reported to EDD. This will allow BOE to collect additional revenue on accounts previously written-off and no longer being actively worked. At this point the implementation timeline is unknown until system enhancements necessary have been identified.

IV. ADDRESSING SEIU'S QUESTIONS AND CONCERNS

For ease of discussion, each concern or suggestion raised in SEIU's report, *SEIU Local 1000 Findings and Recommendations on Methods to Enhance Tax Collections*, is restated prior to discussion of the action(s) SUTD and/or PSTD plans to, or has, taken.

A. Work Goals

Concern: Lack of uniform clearing policy

"There is no clear policy regarding the number of accounts or the type of accounts that collectors should focus on clearing. Procedures for clearing accounts vary within and across district offices."

Finding: No *statewide* goals exist with regard to the number of accounts collection staff is expected to work or resolve per day. However, each district may establish its own goals taking into consideration factors that may impact the district, such as: Job classification, staff experience, and complexity/difficulty of cases. Districts that employ goals often compare the overall average number of cases worked daily by all collectors in their office to the number of cases worked by each collector. By doing so, collection supervisors are able to identify collectors who may require additional attention or training. Collection supervisors are aware that various factors can reduce the number of cases a collector is able to work, such as time spent on non-collection related activities (e.g., registration, tax advisory, small business fairs, training) and time spent out of the office (e.g., sick leave, vacation).

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BOE's Automated Compliance Management System (ACMS) captures all information pertaining to a collection case and is used to prioritize cases and assign them to collectors. Since the inception of ACMS, collection staff has been directed to work accounts in the priority assigned by ACMS. Doing so allows BOE to first focus on those cases identified to be high priority.

B. Processing of Seller's Permit Applications

Concern: Lack of a consistent and clear policy on accurate coding of industries.

"Applications for sales permits are sometimes coded incorrectly during the registration process, which results in many accounts going in to revocation status that should not. For example, many swap-meeters, caterers, and other home-based businesses are coded as full-time businesses but should be coded as part-time businesses. Time is lost pursuing inaccurately coded accounts from which no money can be collected."

In addition to account coding concerns, SEIU representatives also indicated that in some instances information requested on seller's permit application was either not being provided or is not consistently being input into BOE's Integrated Revenue Information System (IRIS). Lastly, SEIU representatives expressed concern that updated registration information was not being gathered by audit staff (via form BOE-1296) when conducting audits.

Finding: Registering an account requires several types of "codes" to be selected and input by staff into IRIS. Existing policies require registration staff to correctly code and input all information provided by a taxpayer on seller's permit applications. Such direction is provided to staff during training classes and is included in the Tax Technician Training Manual. The following addresses the five primary areas of concern related to registration: NAICS Codes, Full-Time/Part-Time Codes, Incomplete Applications, All Application Information Not Being Input, and Account Maintenance.

NAICS Codes

BOE uses NAICS (North American Industry Classification System) codes to identify a taxpayer's business type. To assist staff in selecting the correct NAICS code, a NAICS Code Generator was developed and provided to staff in 2006. In addition, the number of NAICS codes utilized by BOE was reduced earlier this year from approximately 1,700 codes to 365 codes. In November 2008, SUTD also provided the districts with a training tool to assist staff in using the NAICS Code Generator and selecting NAICS codes.

Full-Time/ Part-Time Codes

Although some general guidelines for determining whether a business is full-time or part-time is shared with staff during training, no clear criteria currently exist. For example, should a home-based business always be considered to be a part-time business? Or should BOE consider other factors, such as, anticipated sales or hours of operation? BOE's Compliance Group will discuss this issue and develop clear criteria for classifying businesses as full-time or part-time. It is estimated that such criteria will be provided sometime in 2009.

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Incomplete Applications

There are some instances, particularly with applications submitted by mail, where a taxpayer fails to provide all information requested on the seller's permit application. If information is missing from an application, it may not necessarily prevent the BOE from issuing a seller's permit. For example, a taxpayer may not necessarily know the name of their landlord or their suppliers at the time they are applying for a seller's permit. In such instances, districts can proceed with issuing the permit as long as they follow-up with the taxpayer to obtain the missing information. Supervisors were reminded of the importance of staff following up for missing information and were asked to review with their staff, information that must be provided for BOE to issue a permit.

Within the next few years, the BOE plans to offer electronic registration ("eReg") whereby taxpayers will be able to register for tax and fee programs administered by the BOE via the Internet. As part of this project, the essential information required at the time of registration will be identified. It is anticipated that the eReg system will not allow a taxpayer to complete the registration process until after they provide all essential information requested.

Application Information Not Input

Based on information contained in SEIU's report and information gathered from compliance supervisors, it appears there are instances where registration staff fails to input into IRIS all taxpayer information provided on a seller's permit application. It is important that all information provided on applications be input in IRIS so it is available to staff when needed.

In October 2008, SUTD management reminded districts that they should be taking steps to ensure seller's permit applications are processed correctly. District supervisors stated that they routinely sample and review processed applications to verify all information provided on the applications has been input in IRIS. Sample reviews of processed applications should assist in reducing the occurrence of this problem and provide an opportunity for supervisors to identify staff which may require additional training.

Account Maintenance

In addition to ensuring taxpayer information is captured and input at the time of registration, it is equally important to update the information when necessary. By doing so, the BOE can reduce the number of accounts with outdated or inaccurate taxpayer information. BOE will be addressing this issue in two ways. SUTD will be issuing a Tax Policy memo reminding staff the importance of ensuring updated registration information is obtained at the beginning of the audit process by completing form BOE-1296. The memo will provide additional direction regarding the retention and distribution of this form. Additionally, SUTD will be directing staff to routinely verify a taxpayer's contact information (i.e., business address, mailing address, telephone numbers, email address) when they contact a taxpayer or when a taxpayer contacts BOE.

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C. Field Calls

Concern: Inability of collectors to go out to the field.

“Due to lack of time, transportation costs, and parking accommodations, workers are unable to go out to the field to collect on accounts. As a result some supervisors have asked workers to drive by businesses during non-working hours (e.g., before and after work).”

Finding: Most supervisors actually encourage collection staff to make field calls when necessary. Overall, the supervisors believed that collectors are reluctant to make field calls for various reasons and, thus, avoid making them. The reasons identified included: distance from the taxpayer’s business to the field office, collector’s overall caseload, transportation issues, and the reluctance of some collectors to meet taxpayers face-to-face. Additionally, it was believed that some staff could use additional training in: 1) determining when a field call would be helpful; and 2) making more effective field calls.

SUTD plans to utilize District Trainers (see #19) to provide additional training to assist collectors in determining when a field call may be needed and for improving the effectiveness of the field calls made by collectors. We anticipate the additional training will be provided via a 1-on-1 training effort.

SUTD will also be implementing a pilot program whereby collectors will use laptops or tablets when making field calls. It is anticipated the use of computers will be helpful in making field calls since collectors will be able to input field call notes in ACMS following each field call. This will, in turn, reduce the amount of “carryover” work collectors must complete upon returning to the office. The pilot program is anticipated to begin in early 2009.

With regard to making field calls before or after regular business hours, SUTD offers its collection staff compensating time off (CTO) or allows them to adjust their work hours as needed. Based on the input SUTD received from supervisors, most districts allow collectors this flexibility. SUTD management did, however, remind district supervisors to allow CTO or adjusted work hours, as needed, to accommodate collection staff’s field calls.

D. Measuring Work Completed

Concern: Inaccurate workload measures.

“Although BOE workers are able to successfully multi-task, ACMS does not represent an accurate measure of employee workload. BOE collectors receive work from several different sources which takes a considerable amount of time to sort out; however, managers only use ACMS to monitor workload. Workers are then verbally admonished for not working the accounts on their work list.”

Finding: Collection supervisors stated that they relied on many reports and other information to measure the work completed by a collector, including: Supervisor Case Review Program (“SCR”), Collection Cases Worked (“CCW”), collection case review, case inventory lists, visitor logs, TEALE/IRIS reports, EATS usage, quarterly reviews, and Del Rev reports. Supervisors also stated they take into consideration training, special assignments and other work performed when evaluating a collector’s workload and accomplishments. SUTD will be developing a reference manual to

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further assist supervisors in utilizing the information available from the various reports. It is anticipated the reference manual will be developed and distributed in 2009.

E. Taxpayer Communications

Concern: "Inability of collectors to make direct demands on taxpayers. Collectors have been instructed to be polite to the public at all times. Employees would like to be more assertive when a taxpayer owes money."

Finding: Collectors should be both courteous and assertive when working collection cases. This long-standing philosophy and approach is emphasized in essentially all training provided to collectors, including: formal training classes, on the job training, collector workshops, and on the job training. SUTD is considering the use of a tool that will provide collectors with more comprehensive training in making collection calls.

F. Taxpayers' Rights Advocate / Board Member Involvement

Concern: "The taxpayer advocate often overrides the findings of the compliance representatives. Employees have complained that taxpayers frequently contact taxpayer advocates as a means by which to avoid the demands made on them."

Finding: Although some taxpayers contact the Taxpayers' Rights Advocate (TRA) Office or a Board Member's office for assistance, generally it is the exception that collection staff's actions are overridden. A majority of supervisors believe that both the TRA Office and Board Member staff review taxpayer complaints objectively. Generally, the approach to a case is only altered when it appears staff did not follow BOE policies and procedures, when there are rights violations, or when it is in the best interests of the state and the taxpayer to do so, in consultation with departmental management.

To enhance BOE knowledge of the role of the Advocate and staff's responsibilities to protect taxpayer rights, the TRA Office plans to visit district offices and headquarters sections in 2009-10 and 2010-11.

G. Overtime

Concern: Lack of overtime.
"Employees would like overtime to complete their workload."

Finding: Districts are allowed to work overtime (upon management approval) on an as-needed basis.

H. Flexible Hours

Concern: Lack of flexible hours.
"Businesses' operating hours often do not coincide with Board working hours. Therefore, collectors have great difficulty contacting certain businesses because they have not been granted flexible hours to accommodate phone calls or visits to the business address."

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Finding: A majority of supervisors stated they allowed collectors some flexibility in scheduling work (e.g., field calls) during non-regular business hours. Generally, this is accomplished by offering collectors CTO or temporarily adjusting their work hours. (It is important that collectors obtain supervisory approval prior to making field calls before and/or after normal business hours.)

I. Corporations

Concern: Corporate executives are able to evade responsibility for corporate taxes. "Corporate officers are able to evade personal responsibility for corporate sales and use taxes. The current law treats the corporation as a person rather than the corporate officers who apply for the permit. A corporate officer of a delinquent corporation is able to apply for a new permit for a new corporation resulting in multiple liabilities which are currently uncollectible."

Finding: BOE has the authority to hold corporate officers, or other "responsible persons", liable for a corporation's liabilities under certain circumstances. BOE routinely investigates collection cases and issues billings to corporate officers and other responsible persons when appropriate.

When the district offices begin using the specialization method of distributing workload (see #15, "Workload") later this year, each office will have 1 to 2 collectors that will specialize in working closed-out corporate accounts. The collectors will be responsible for determining whether or not a corporate officer can be held liable.

In late October and early November 2008, Centralized Collection Section staff provided district staff with additional training on dual determinations. Approximately 80 staff attended the training sessions during which information and guidance with regard to investigating taxpayers for potential corporate officer liability was provided.

J. Lien Filing Threshold

Concern: High lien threshold impedes aggressive collections. "A lien can only be issued for accounts that are \$2,000 or more. Lowering this amount would improve and strengthen BOE workers' ability to collect."

Finding: Although state law allows BOE to file tax liens for any amount, under BOE's existing lien policy, liens are *routinely* filed when a taxpayer has a liability of at least \$2,000 (CPPM 760.060). In 2007, SUTD performed an analysis on the lien threshold and determined that reducing the lien threshold below \$2,000 would not be worthwhile. For example, at the \$1,000 threshold, the benefit BOE would realize from liens would only be slightly greater than the associated costs incurred.

K. Liens – Filing Time

Concern: The amount of time needed before a lien can be placed is too long. "An account has to be in billing status for 180 days before a lien can be placed. Reducing the time to 30 days would empower collectors to actively pursue delinquent and revoked accounts. More importantly, it would encourage delinquent taxpayer to pay their taxes."

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Finding: Under BOE's existing lien policy, liens are *generally* not filed until a liability is at least 180 days overdue. However, if staff determines it is in the state's best interest to file a lien prior to 180 days elapsing, one can be filed upon supervisory approval (CPPM 760.060).

L. Top 250 List

Concern: Tools for publicizing the names of companies with delinquent taxpayers are underutilized.

"The list of delinquent accounts posted on the website could be more comprehensive, including businesses owing more than \$100,000; this would help hold such companies accountable and would also help deter future delinquencies."

Finding: The BOE's quarterly list of taxpayers with unpaid sales and use liabilities in excess of \$100,000 is limited, by law, to the 250 taxpayers having the largest unpaid liabilities. At this time, SUTD does not plan to seek changes to the top 250 list.

M. Written-Off Accounts

Concern: Staff often continues to work accounts instead of writing them off as uncollectible.

Finding: Several months ago SUTD performed a sample review of accounts written-off in 2007. Based on this limited review, improvements in the write-off process will be pursued.

The BOE plans to pursue enhancement of the ACMS system so that it can periodically, and automatically, check to see if a taxpayer has wages reported to EDD. Doing so will allow the BOE to not only collect additional revenue on accounts staff is no longer reviewing but may also address apprehension by some staff in submitting accounts for write-off.

In addition, the Compliance Group will also be reviewing existing policies and procedures related to write-offs for the purpose of identifying changes to improve the process. It is anticipated that revised policies and procedures will be implemented in 2009. In the interim, district offices have received direction to utilize a checklist for ensuring all collection avenues have been pursued and reviewed prior to writing-off a liability.

N. Non-Collection Activities

Concern: A considerable amount of time is spent by collectors (e.g., BTRs and Tax Technician IIIs) in performing "non-collection" work. For example, collectors are required to assist front counter staff in the district offices. By utilizing collectors to perform such functions, it reduces the amount of time available for them to perform collections.

Finding: Most field offices generally limit utilizing collection staff during specific peak tax return filing periods (e.g., due dates of quarterly tax returns) to supplement front counter staff (TTIIs). However, in October 2008, SUTD asked supervisors not to use BTRs for registration purposes. All TTIs should be trained on registration and used as first line back-ups, followed by TTIIs, if necessary. BTRs should only be used for

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return help during peak tax return filing periods, and for registration purposes as a last resort.

BOE will be implementing other programs which should assist field offices in providing improved taxpayer services. In late 2008, the BOE will be implementing an Internet-based appointment system which will allow taxpayers to schedule an appointment at their nearby field office. The appointment system will help in distributing taxpayer visits throughout the workday, which, in turn, will further reduce the need to utilize collection staff for front counter activities.

As mentioned previously, the BOE plans to offer eReg whereby taxpayers will be able to register for tax and fee programs administered by the BOE via the Internet. BOE anticipates eReg will not only be beneficial to taxpayers but to the BOE as well.

O. Workload

Concern: Collection staff is assigned too many cases to work effectively and efficiently. Tax Technician IIIs have upwards of 600 accounts and BTRs have as many as 200-300 accounts. Specialists have over 60 accounts.

Finding: Although nearly half of the collection supervisors believed the workload assigned to collectors is manageable, a significant number of collection supervisors believe the number of cases assigned to each collector is too great to be worked effectively. In meeting with the collection supervisors, it appears that some of the difference in opinion with regard to this area may involve how a particular field office distributes its work.

Currently, each district selects the workload distribution method they wish to employ although there are two primary methods currently used by most field offices – terminal digit and specialization. Under the terminal digit method, workload is distributed to collectors based on the last two numbers in a taxpayer's account number. Under this method, all types of cases (e.g., active collections, closed-out collections, delinquencies, revocations) are assigned to all collectors.

Under the specialization method, collectors are assigned specific types of accounts. For example, a collector will only be assigned active collection cases while another collector will be assigned to work only revocations. In comparison to the terminal digit method, specialization allows collectors to develop expertise in working a specific type of collection case.

Although SUTD has considered for several years requiring all districts to employ the specialization method, a decision on this issue was recently made. This decision was made based on the feedback management has received from districts that already distribute workload using this method. It is believed utilizing the specialization method will enhance collections since staff will become more proficient in working specific types of accounts. Collectors will periodically be rotated to a different area of specialization to ensure they are adequately cross-trained. District Administrators and Principals were informed of this decision in October 2008. It is anticipated all districts will complete their transition to specialization by January 1, 2009.

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P. ACMS

Worklists

Concern: "Accounts that are worked on, but not cleared, will reappear towards the top of the list each time an employee logs back on; then they have to rework the same account before they can move down the list. Some employees prefer to work from a static list, so they will print out a hard copy from ACMS and work off of it for the week."

Finding: As discussed previously, ACMS is the system BOE uses to organize, prioritize, and assign collection cases to staff. ACMS prioritizes cases via collector worklists that are updated daily. Using ACMS, collectors are able to review case notes, initiate collection actions and establish future follow-up dates of their choosing to again review an account. An account will generally not reappear on a collector's worklist until the follow-up date is reached.

Based on the description of the issue reported, it appears some collectors may be unaware of how to establish follow-up dates in ACMS. Computer-based training (CBT) is available to all collection staff and covers most ACMS functionality, including the establishment of follow-up dates. Additionally, ACMS "cheat sheets" are available to staff on BOE's intranet and provide information regarding common ACMS functions. Although some information in the CBT is out of date, overall the CBT is still very helpful. Additional information will be provided to staff informing them of the specific information in the CBT that is out of date. It is anticipated this information will be provided in 2009.

Collection supervisors will be asked to convey to collection staff the importance of working cases from the worklists provided by ACMS. While it is understandable that some staff may prefer to work from printed worklists, they should not be relying on the same worklist for multiple workdays. New assignments are received and placed on collection staff's ACMS worklists daily and therefore, it's important for staff to work accounts using a current worklist.

Case Reassignments

Concern: "Case numbers ('terminal digits') of a former or on-leave employee constantly get redistributed to other workers, thus increasing their workload and adding a level of disorder to the manageability of their accounts. Moreover, compliance representatives who receive accounts formerly worked on by other employees are required to start over from the beginning on each account (by calling, introducing themselves, etc.), instead of being able to pick up where the other collector left off."

Finding: Staff resources are limited and collection cases must be redistributed among staff when there are collection staff changes within an office. When a case is reassigned to a different collector, there is generally little reason for a collector to begin working an account from the very beginning. Staff should review the case in ACMS so they are familiar with the case, but in most cases, collectors should continue working the case where the prior collector left off.

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Q. Collection Tools

Other Resources

Concern: BOE does not provide many resources to collection staff, such as, Caller ID, Phone Disk, Skip Eze, Zillow, and Ultimates.

Finding: Collection staff currently has access to information from many sources, including: LexisNexis, Accurant, Win2Data, DMV, EDD, FTB, and credit reporting bureaus. Additionally, staff has Internet access which allows them to search for information which may be helpful for compliance purposes.

SUTD evaluates potential collection resources on an ongoing basis. The use of Caller ID was piloted in five districts in early 2007. Based on a survey of the five districts, use of Caller ID did not result in an increase in payments being received. Although there was some indication use of Caller ID may still be valuable in some circumstances, SUTD was unable to demonstrate or quantify a direct benefit of using Caller ID. Consequently, the pilot program was discontinued and the use of Caller ID was not pursued.

BOE previously utilized Phone Disk, but use of this resource was discontinued in April 2006. An analysis, which included a survey of district offices, found that information available from Phone Disk was available using other sources (e.g., White Pages.com, Accurant).

While many free and fee-based information sources are available on the Internet (e.g., Zillow, Ultimates), all or most of the information available from these sources are available to staff via LexisNexis and Accurant. Regardless, SUTD will continue to consider and evaluate new resources as they are identified.

Availability of Existing Resources

Concern: "While Accurant, LexisNexis and EATS are available to some degree at all district offices, not all workers have direct access to them. In a number of places, workers (often Tax Technicians) have to submit search request to co-workers who do have access. The worker making a search request must wait until the worker with access has time to run their search; conversely the worker is pulled away from their own collection activities."

Finding: In July 2007, BOE significantly increased its number of LexisNexis licenses, which allowed access to this service to be provided to many more collectors. At the same time, BOE also obtained licenses to Accurant, a service BOE had not previously utilized. Feedback from staff indicates both of these resources are especially helpful in locating taxpayers. In July 2008, BOE obtained additional licenses for both LexisNexis and Accurant which enabled BOE take immediate action on SEIU's suggestion to provide these resources to Tax Technician IIIs performing collections.

BOE's External Access Tracking System (EATS) is used by compliance staff to request data from certain resources, specifically, EDD, DMV, FTB and credit reporting bureaus. Each office has specific staff identified as EATS resource persons that are responsible for handling requests submitted by collection staff in their respective offices. A decision was made to limit the number of staff with access to these resources as a result of some incidents of staff inappropriately accessing information

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from these sources. Generally, two to four people in each district office are identified as EATS resource persons, depending on the size of the office.

Part of the responsibility of an EATS resource person involves tracking and destroying documents after they have been reviewed by a collector. To assist in reducing the workload of an EATS resource person, the district offices were informed in October 2008 that they could utilize an additional staff person, other than a designated EATS resource person, to track and destroy EATS documents.

Previously, EATS resource persons were only located in district offices and not in branch offices. To avoid possible delays in field office staff receiving information from the district, SUTD recently provided branch office supervisors with the option of identifying an EATS resource person in their offices for the purpose of running credit reports as needed.

Training

Concern: The quality of training staff received for using LexisNexis and Accurint varied. Training could be more updated, comprehensive and industry-specific.

Finding: Usage reports for LexisNexis and Accurint indicate these resources are underutilized. In addition, input received from collection supervisors indicates that additional training in using these resources would be beneficial.

SUTD's Training Team is providing collection staff with additional LexisNexis and Accurint training. The training effort is a focused effort (i.e., 1-on-1 or small group) and utilizes actual collection cases so staff can better understand the information available using LexisNexis and Accurint. SUTD plans to gauge the effectiveness of the training and will also be tracking the frequency in which collection staff utilizes these tools.

R. Additional Training Resources

District Trainer Positions

Many of the actions SUTD will be taking involve providing additional training to collection staff. SUTD plans to designate a, "district trainer" position in most district offices. The district trainers will allow SUTD to devote greater attention to training which should allow SUTD to reach its training goals.

At this point, SUTD anticipates district trainers will be involved in the following training efforts:

- New BTR Training
- ACMS Training
- Field Call Training
- LexisNexis and Accurint Training
- EATS Training
- Quarterly Collector Workshops

Collector Workshops

For the past few years, district offices have held collector workshops where collectors meet to discuss cases and exchange ideas. These workshops have been helpful to collectors and provided opportunity for collectors to learn from each other. In

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October 2008, SUTD management reminded Administrators and Principals the collector workshops should continue to be held on a quarterly basis.

S. Ideas for Closing the Tax Gap

SEIU's report contained several suggestions for closing the tax gap. The following table summarizes the suggestions received and provides comments on each proposal.

Suggestion	Comment
Charge taxpayers a fee to obtain a seller's permit.	A legislative proposal was previously drafted but is no longer being considered.
Increase the amount of the reinstatement fee.	A legislative proposal was drafted earlier this year and was approved by the Legislative Committee in November 2008.
Encourage cities and counties to inform people filing for business licenses that they also need to apply for a seller's permit.	Since cities and counties receive sales tax revenue, they have a vested interest in ensuring businesses hold seller's permits. BOE also routinely shares information with cities to assist them in determining whether or not a business holds a permit. As part of BOE's SCOP program, BOE provides seller's permit posters to cities for display in their business license offices.
Facilitate the ability for auditors to share information with collectors.	SUTD will issue memo reminding districts of the importance of the information gathered during audit. Additionally, the procedures related to the completion, distribution and retention of form BOE-1296 are being revised.
Increase penalties by assessing a 16% penalty on tax due for periods in which a prepayment was not made and the taxpayer filed their tax return late.	No current action on this item, although it could be considered for a legislative proposal in the future.
Implement IRS offsets.	Not allowed by federal statutes.
Improve enforcement of revocations.	In 2008, new policies and procedures were established whereby cases involving taxpayers operating without a seller's permit or operating with a revoked permit may be forwarded to the BOE's Investigation Division (ID) for citation and prosecution. We anticipate ID's involvement will enhance compliance since previously the decision to cite and prosecute a taxpayer was at the discretion of the local district attorney's office. Specialization of workload in district offices should allow collectors to become more effective in revocation cases. A legislative proposal for increasing the reinstatement fee for seller's permits was drafted earlier this year. If this proposal moves forward and becomes law, taxpayers may have more incentive to avoid revocation. SCOP program

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	staff will be making door-to-door field calls. As part of these field calls, staff will mention and discuss any outstanding compliance issues, including unpaid liabilities, delinquent tax returns, or revocation issues.
Hire more support staff so that BTRs and Specialists can devote their time to collections.	Due to budget constraints, this is not currently being pursued.
Create a system to track non-ACMS work.	BOE's existing time reporting process allows staff to report time spent on various activities, including time spent on non-collection activities. BOE also has a proprietary assignment/project tracking software ("Reminders") which can be used to record activities (e.g., actions, time spent) related to assignments or projects assigned to staff.
Increase resources devoted to educating the public.	Public education/ awareness is a key component of SUTD's SCOP program. As part of this program, 56 positions were created for the purpose of making door-to-door field calls. During each field call, staff will confirm a business has a seller's permit and will answer any business tax questions a taxpayer may have.
Implement monetary penalty for not filing a sales tax return.	If a taxpayer fails to file a tax return, BOE can initiate an estimated billing ("compliance assessment"). When this occurs, the taxpayer is assessed a 10% failure to file penalty and will be assessed an additional 10% finality penalty if the liability is not paid prior to the liability becoming due and payable.
Charge a penalty for zero returns that prove to have a greater amount due.	No current action on this item, although it could be considered for a legislative proposal in the future.
Charge a penalty for a late filing of a zero return.	No current action on this item, although it could be considered for a legislative proposal in the future.
Facilitate collection in the field.	Additional training and resources should assist collectors in making field calls. Additionally, SCOP staff will allow BOE to have an overall larger presence in the field. SCOP staff can accept payment from taxpayers of any unpaid liabilities. However, the SCOP program is intended to supplement, and not replace, regular field calls performed by district collectors.
Hold corporate officers accountable for sales tax liabilities.	Existing laws allow BOE to hold a corporate officer or other responsible person liable for a corporation's liability under certain circumstances.

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V. CONCLUSION

The Task Force allowed BOE staff and SEIU representatives an excellent opportunity to work together to identify opportunities for enhancing collections. SUTD and PSTD management believes the actions taken as a result of the Task Force's activities will assist in enhancing collections. While the BOE should realize some immediate benefit from the actions taken thus far, the full impact of these efforts on collections will not be fully known until all of the actions have been implemented.

We are not recommending that the BOE pursue a contract collection program at this time. SUTD and PSTD will work on implementing our collection enhancement strategies and may re-evaluate the need for any outside collection vendors at some point in the future.