



“The Department of Taxation plays a key role in public finance, collecting the revenue needed by the State of Hawai‘i for funding the programs and services provided to residents and businesses in Hawai‘i. Since 2011, our strategic plan has focused on a business transformation of operations by introducing 21st century technology into all processes. We are grateful to the Office of Information Management and Technology (OIMT) colleagues’ for their assistance in this effort. Our staff in the document processing and in the collections sections identified areas for improvement by working with an outside consultant firm engaged by OIMT. While the inventory of delinquent tax accounts had significantly increased over the past years, the size of the collection staff available to work the cases had suffered reductions. To more effectively address the increasing inventory, we worked with OIMT in arranging for the use of computer analytics as a means for prioritizing the workload. We are also turning to technology to service the most frequent inquiries of an ever increasing population in Hawai‘i. OIMT has recently developed two mobile applications for searching for general excise tax licenses and for determining the status of tax refunds. We also continue to work very closely with OIMT in the design and implementation of Tax Systems Modernization (TSM) which will be our new computer system to more efficiently and effectively collect the revenue for the State of Hawai‘i and its people.”

—Frederick D. Pablo
Director, Department of Taxation

5.2 PROGRAM: TAX SYSTEM MODERNIZATION (TSM)

Objective: Streamline and modernize tax systems and processing across the enterprise.

Description: The Department of Taxation (DoTAX) partnered with OIMT in an effort to modernize its tax system and streamline its business processes. Previously, DoTAX had several challenges with its technology and processes, leading to inefficiencies and delayed tax returns. These included:

- Organizational silos led to a fragmented work environment and disparate processes.
- The outdated and incomplete system was inefficient and prone to system disruptions.
- Time-consuming processes were largely paper-based, leading to a tremendous amount of manual work for DoTAX personnel.
- Delays in tax processing led to the large accounts receivables balance.

In early March 2011, DoTAX established a Modernization Task Force comprised of members throughout the Department to evaluate existing challenges and explore potential improvements to operations. The group concluded that the current information technology system — the Integrated Tax Information Management System (ITIMS) — was outdated and incomplete, presenting tremendous operational challenges.

In August 2011, DoTAX participated in an independent statewide baseline assessment of technology,

spearheaded by the State CIO. The assessment confirmed DoTAX’s critical condition, leading Robert Su (DoTAX’s CIO) and the State CIO to identify TSM (Tax System Modernization) as a key modernization initiative for the State of Hawai‘i.

During 2012–2014, DoTAX and OIMT partnered to procure a new technology system, re-engineer business processes, and introduce tax analytics to analyze the efficiency of operations. The goal was to increase efficiency and reduce delays for individuals receiving tax refunds.

Impact: In 2012, working with OIMT and DAGS, DoTAX was able to achieve a dramatic reduction in the time needed for tax return processing and check deposits — reducing the average time for taxpayers to receive a refund from six to eight weeks to one to two weeks — resulting in more money being paid to taxpayers. This led to faster refund deposits for Hawaiian citizens and faster revenue recognition from tax income for Accounts Receivables. Additionally, case management processing was streamlined and the overall use of electronic tax filing and electronic payments was expanded.

Related Projects and Initiatives:

RFP for Tax System Modernization (TSM) Program

OIMT, DoTAX, Attorney General’s Office (AG), and SPO are working together collaboratively to create a Request for Proposal (RFP) for software vendors to propose and bid on a new technology system. The RFP is scheduled for release in January 2014.

BPR SHOWCASE: TAX MODERNIZATION



Analytics Program for Tax

Under the TSM Program, the newly instituted tax program, Integrated Tax System (ITS), will provide for improved analytics and better customer service. When coupled with an integrated Case Management system, Workflow Engine, Data Warehouse, and Decision Analytics, the new ITS will allow DoTAX management to better allocate scarce resources to increase processing speed and maximize revenue. Compliance management will be able to assign auditors and collectors to the right case at the right time, maximizing revenue with the most efficient use of personnel and equipment.

SERVICE Plan

SERVICE is an acronym for:

- System Reliability
- Expedited Processing
- Robust Collections and Analysis
- Verified Reporting
- Improved Customer Service
- Education and Training.

In July of 2012, DoTAX, in partnership with OIMT, presented DoTAX’s “Service Plan,” detailing the need for a complete replacement and upgrade of the current tax processing system and IT infrastructure to align with DoTAX’s core mission. The benefits include:

- Increased revenue
- Reduced accounts receivables
- More-robust audit capabilities
- Better customer service
- Improved reporting capabilities
- Reduced processing time
- More-flexible system
- Reduced programming and testing time
- Improved system reliability
- More-effective utilization of resources
- Improved collaboration

The TOC methodology was first formulated in the mid-1980’s and made popular through the bestselling book *The Goal*, by Dr. Eli Goldratt. The TOC has been used successfully used to reengineer thousands of processes of various sizes and complexity with the Department of Defense; U.S. Navy; commercial clients such as Intel, Pfizer, Kroger, P&G, and Hewlett Packard, and most recently with resounding success within the State of Utah and State of Hawai’i DOTAX.



ROADMAP TO CONTINUOUS BUSINESS SUCCESS



TOC views any process as an interconnected system or “chain” and provides a common sense focusing approach for optimizing it. TOC is applied using a step-by-step methodology, Strategy, Design, Analyze, Improve, Sustain (SDAIS).

Tax System Modernization Program (TSM)

The request for procurement (RFP) is undergoing final reviews for its future release. In the meantime, the TSM team has been busy preparing for its issuance and the subsequent vendor selection process. The TSM team has completed a tax matrix worksheet documenting relevant statistical data about the Department of Taxation (DoTAX). These data include revenue collected by tax type, transaction volume by tax type, a complete listing of reports and forms, and other information that will be needed by prospective vendors.

The TSM team has also begun mapping business processes within DoTAX. TSM business analysts have started mapping business processes to enable the TSM team to understand the scope of business activities, perform a gap analysis after vendor selection, and illuminate possible process improvements. The team held an initial meeting with DoTAX division chiefs and other supervisors to define the “As Is” system. TSM technology specialists have engaged in a similar effort to document “As Is” system flows. These two types of documents will provide records of current business rules and workflow rules to inform the development of a new solution.

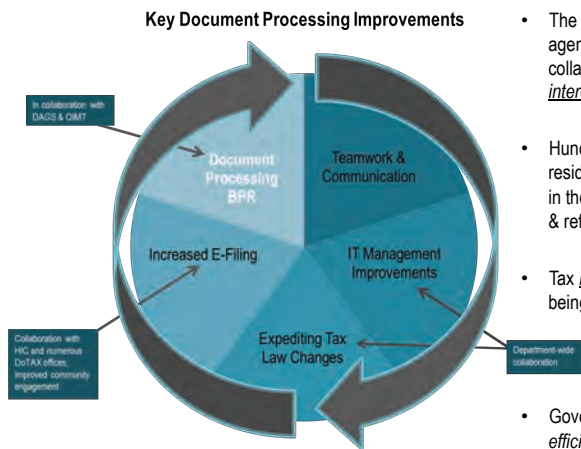


BPR SHOWCASE: TAX MODERNIZATION

All members of the TSM team have worked collaboratively to produce a kickoff presentation for DoTAX staff and other stakeholders. The presentation will be used to introduce audiences to the TSM Program and describe the program's current status, the proposed solution, and the rationale for its selection. The presentation lays out the plan for moving forward with the TSM Program and how the stakeholders will be involved.

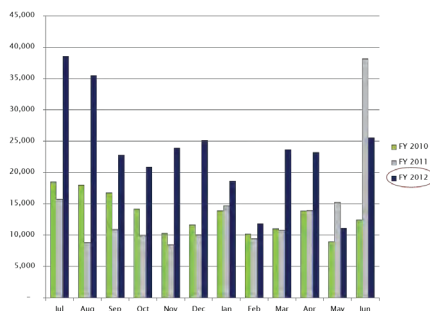
Key Elements of Transformation

Summary of Impacts



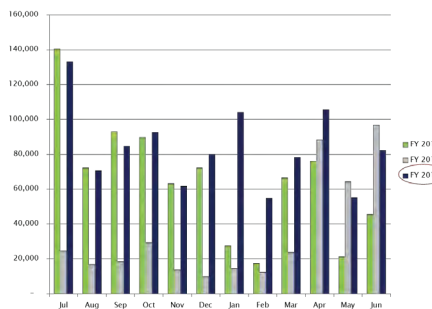
- The Tax Department and other state agencies (DAGS, B&F and OIMT) are collaborating in a way that puts the interests of the state first
- Hundreds of thousands of Hawai'i residents are receiving improved service in the form of quicker processing, deposits & refunds
- Tax revenue for important state services is being deposited much sooner
- Government resources are being more efficiently utilized
(note: staffing decreased in FY 2012 due to retirements & other factors)

Hundred thousand+ more checks deposited within 4 days

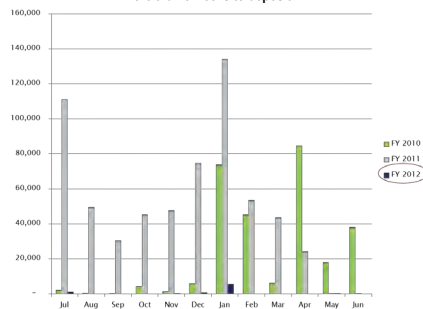


CHECK CASHING

Hundreds of thousands more checks deposited within 2 weeks



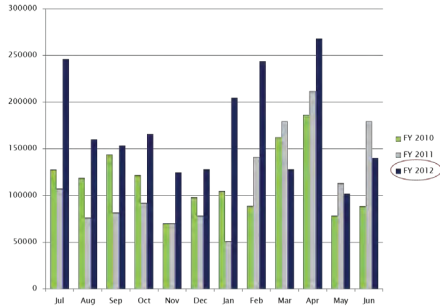
Hundreds of thousands less checks took more than 3 weeks to deposit



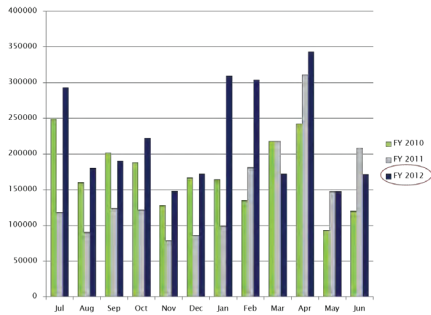


RETURN PROCESSING

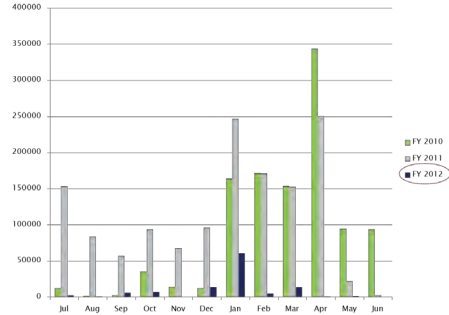
Hundreds of thousands more returns processed under 7 days



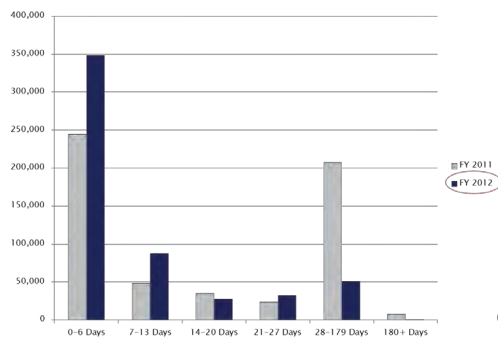
Hundreds of thousands more returns processed under 14 days



One million less returns took more than 3 weeks to process

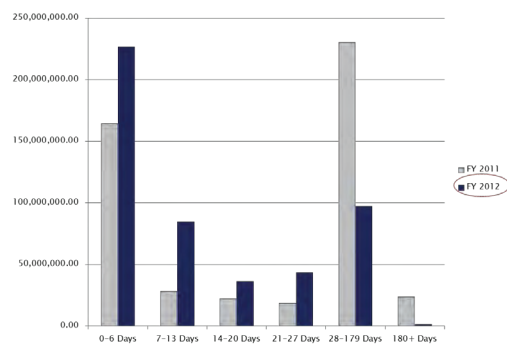


One hundred thousand+ more refunds were issued under 14 days



REFUNDS

One hundred million+ more in refund dollars were issued under 14 days





Tax BPR Improvements

Fiscal Year	FY 2010	FY 2011	FY 2012	Key Impact
Category				
Check Cashing	160,206	166,770	280,971	Hundred thousand+ <u>more</u> checks deposited within 4 days
	786,709	414,789	1,004,166	Hundreds of thousands <u>more</u> checks deposited within 2 weeks
	281,194	615,624	8,860	Hundreds of thousands <u>less</u> checks took more than 3 weeks to deposit
Returns Processing	1,391,643	1,383,057	1,925,554	Hundreds of thousands <u>more</u> returns processed under 7 days*
	2,068,774	1,785,902	2,655,970	Hundreds of thousands <u>more</u> returns processed under 14 days*
	1,102,839	1,399,761	113,113	One million <u>less</u> returns took more than 3 weeks to process*
Refunds		294,152	436,346	One hundred thousand+ <u>more</u> refunds were issued under 14 days
		\$192,619,959. 91	\$311,445,865.00	One hundred million+ <u>more</u> in refund dollars were issued under 14 days
*(Dip in March 2012 due to expedited processing in January & February)				