FY 2016 At A Glance

Processing
- Number of individual and Transaction Privilege Tax (TPT) paper returns: 1,926,539
- Average days to process individual income tax refunds from electronic returns: 7.77 days
- Average days to process TPT electronic returns: 1.05 days
- Total tax documents processed: 5.86 million

Education and Outreach
- Actual vs estimated state tax collection: 101%
- Dollars recovered from individual income tax fraud prevention: $78.4M
- Number of training events conducted: 51

Taxpayer Services
- Average number of phone calls received monthly: 25,000
- Average customer phone call wait time: 5 min 16 sec
- Percentage of online transactions: 69%
- New users registered in AZTaxes.gov: 28,326
- Number of logins to AZTaxes.gov: 715,970
- Unclaimed property dollars returned to customers: $54.9M
Foreword

When Governor Doug Ducey appointed me director of the Arizona Department of Revenue (ADOR) in October 2015, he made clear his primary expectation was for me to lead the department’s transformation to a model state agency for innovation, customer service and continuous improvement.

Shortly after my appointment, the governor’s office and members of the legislature identified another important expectation, which was to ensure the department delivered on its commitment to reform the state’s Transaction Privilege Tax (TPT) system as required by law but ADOR had not completed.

To honor both expectations, we needed immediately to anchor our core programs, which over time had become overly bureaucratic, clouding the department’s mission. An early step was to align our programs with the department’s budget, thus reducing the number of operating divisions from nine to four and stabilizing department expenditures. We also improved key support functions by overhauling our information technology and budget offices and establishing a professional communications presence for enhanced dialogue with our customers and employees.

Within seven months of introducing changes, we landed the first phase of TPT reform to enable taxpayers in 77 cities to register, file returns and make TPT payments via a central online portal with prompt and accurate tax distribution and reporting to appropriate municipalities. The 14 remaining cities that are currently self-collecting will participate in the program during this fiscal year.

Our focus now centers on building capacity. Together with other state agencies, the department is intentionally adopting a results-driven management system, named the Arizona Management System (AMS,) which focuses on delivering customer value and vital mission outcomes for citizens. I am happy to report that our work has begun to implement this compelling initiative. In short, AMS is a unified way of professionally managing state operations by eliminating waste and inefficiencies through an exhaustive review of our processes. Critical to our success is for every ADOR employee to be responsive to customer needs and expectations at all times.

To ensure we build capacity to deliver desired performance, we have made investment in core infrastructure a departmental priority, which is reflected in our FY 2018 budget request. The need to modernize and develop technical and operational excellence in our workforce is crucial if we are to operate at the speed of business, as the governor intends. We also recognize that our talented staff is our most important asset. We must retain top talent and develop the problem solving potential of all our staff if we want to become a model state agency.

In the following pages, we spotlight the goals, strategies and performance measures that we have identified as critical to the department’s success in fulfilling our vital mission of serving Arizona taxpayers. We recognize that we have only just begun our journey to radically transform the way the ADOR thinks and does business, aligned with Arizona government’s cohesive statewide enterprise.

The road ahead will be challenging as we strive to achieve our vision of funding Arizona’s future through excellence in innovation, customer service and continuous improvement. I am confident that we are up to this challenge and totally committed to improving ADOR with each passing day.

David Briant
Director
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Serving taxpayers!

Funding Arizona’s future through excellence in innovation, customer service and continuous improvement

Our Role

The Department of Revenue’s origins predate Arizona statehood. The State Tax Commission, established in 1912, consisted of a three-member, non-partisan board elected for a six-year term. In 1974, the Arizona Legislature repealed the law that had established the commission and transferred its powers and duties to the newly created Arizona Department of Revenue (ADOR) and the State Board of Tax Appeals. That same year, on July 1, ADOR began operations with three divisions overseeing Property and Special Taxes; Income, Luxury, Sales and Estate Taxes; and Administration.

Today, ADOR comprises four divisions aligned with its operating budget and strategic goals: Taxpayer Services, Education and Compliance, Processing, and Support. It operates with offices in Phoenix and Tucson with a presence in the Phoenix Metro East Valley area. ADOR delivers core business processes entailing efficient tax processing and collection, timely enforcement of tax laws, and accurate valuation of property. In addition, it also oversees 15 county assessors in the administration of state property tax laws.

Fig. 1 — Our mission and vision reflect our commitment to provide exceptional service to Arizona taxpayers.
Our Organization

Director
David Briant

Chief Deputy Director
Carlton Woodruff

Deputy Director
Grant Nülle

Education and Compliance
Tom Johnson

Processing
Laura Robichaud

Taxpayer Services
Neeraj Deshpande

Support

Human Resources
Rob Wadell

Information Technology
Sandip Dholakia

Financial Services
Thomas MacConnel

Budget
Joie Estrada

Continuous Improvement
William Hoddy

Communications
Kurt Maurer

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Our Planning Process

As shown in Figure 2, to the right, the strategic planning process begins with a comprehensive look at ADOR’s ecosystem as an organization — an ecosystem that includes a variety of perspectives and demands that influence our vital mission. We then make an honest assessment of our recent past and current reality, including a brutally honest evaluation of our performance. We refer to this as the “current state.” The Governor’s vision for the State and the agency’s vision together define our desired “future state.” It is by analyzing the gap between our current state and future state that we develop our plan.

For our FY 2018-2022 plan, ADOR has adopted strategic goals to close the gap between the reality of our current challenges and future state vision (see Figure 2.) The number of goals, as shown on page 10, and their simplicity bring clarity to every aspect of the agency’s work. Every ADOR employee should understand how their day-to-day work aligns with the agency’s strategic goals and mission.

In addition to the goals, ADOR has identified five strategies, also shown in page 10, to help overcome challenges that could keep us from closing the gap. The strategies are to be developed as specific projects to resolve the challenges. The outcomes associated with our goals, as supported by our strategies, and as executed through our projects, will be measured rigorously by our performance measures.

The performance measures ADOR has adopted track success through two primary lenses: the return on investment that taxpayers demand as an outcome of fulfilling our mission — i.e., delivering the revenue that finances Arizona’s future, and customer value in the form of quality service.

Fig. 2 — The goals, as measured rigorously by our performance measures, are supported by our strategies and executed through our projects, talent and budget.
## Goals, Strategies and Performance Measures

<table>
<thead>
<tr>
<th>PERFORMANCE MEASURE</th>
<th>TYPE</th>
<th>GOAL</th>
<th>STRATEGY</th>
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<td>BT 1</td>
<td>1</td>
<td>Deploy the Arizona Management System</td>
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<td>Number of individual and Transaction Privilege Tax (TPT) paper returns</td>
<td>OS 2</td>
<td>2</td>
<td>Develop employee potential</td>
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<td>Average days to process individual income tax refunds from electronic returns</td>
<td>OS 2</td>
<td>3</td>
<td>Increase education and outreach</td>
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<tr>
<td>Average days to process TPT electronic returns</td>
<td>OS 2</td>
<td>4</td>
<td>Modernize and strengthen core programs and infrastructure</td>
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<td>Percentage of online transactions</td>
<td>OS 1</td>
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<td>Deliver technology solutions</td>
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<td>TPT return filing compliance</td>
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<td>Percentage of adoption of Arizona Management System</td>
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<td>Number of breakthroughs achieved</td>
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<td>Percentage of online services</td>
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Key Strategic Initiatives

Deploy Arizona Management System

Governor Doug Ducey’s vision is for Arizona to be the number one state to live, work, play, recreate, retire, visit, do business and get an education. To achieve this vision, Arizona state government is changing how it thinks and does business.

For the first time in its history, Arizona government is operating as one cohesive enterprise within a professional, results-driven management system. Based on principles of Lean management, it is a system that focuses on reducing waste from business processes while continuously improving our ability to deliver customer value and vital mission outcomes for citizens.

Within the Arizona Management System, every employee at the Arizona Department of Revenue (ADOR) reflects daily on personal performance while always seeking a better way. Our employees have begun learning about tools for data-driven decision-making and disciplined problem solving, and by using these tools, they are starting to understand greater creativity and control in their jobs, while expanding their capacity to do more good for Arizona taxpayers.

We recognize that our vital mission gives purpose to everything we do. Mission measures achieved, as reflected in agency scorecards, are now the benchmark by which we monitor progress. Employee performance in day-to-day work contributes directly to what the agency tracks on our scorecard. Through the cascading of the scorecards, employees can see the connection between their own performance, the agency’s overall progress, and the governor’s most important goals.

To be successful, every employee at every level must understand that collectively and individually, our job is to do more good for Arizona. To do this, we all must understand customer needs, identify problems, improve processes, and measure results. The Arizona Management System helps us do this in a coordinated, systematic way.
Key Strategic Initiatives

Develop Employee Potential

Underlying this strategy is a simple fact: like every knowledge based organization, ADOR is only as capable as our ability to develop and deploy our human potential. Because our people are our most important asset, this strategy forms the very heart of our desired transformation to become a continuously improving organization.

To effectively maximize the creative potential of our staff, we are developing standard ways to encourage employees to come up with innovative ideas for improving processes and solving problems, while holding managers accountable for implementing good staff-generated ideas. Although management decisions will always involve the chain of command, internal communications are never to be limited by the chain of command or organization chart. At ADOR, we expect and promote free discussion of ideas at all levels and prompt decisions from our management chain. Once decisions are made, we expect everyone to totally commit to implementing the decision.

Increase Education and Outreach

Increasing outreach is critical to ADOR’s ability to broaden the reach of our mission to serve Arizona taxpayers. We acknowledge that our mission exists in a complex world of often competing interests. Failure to account for this complexity leads to divisiveness, delays and distractions that impede our ability to accomplish the mission. By placing renewed emphasis upon building and maintaining partnerships with stakeholders, such as county and municipal governments, tax professionals and various associations that represent taxpayer interests, we can enhance our ability to help taxpayers understand and comply with Arizona’s taxation requirements. Our model today prioritizes taxpayer education on the front end to improve compliance and maximize tax collections.

Modernize and Strengthen Core Programs and Infrastructure

ADOR recognizes that if we are to operate at the speed of business, as our governor intends, we have an obligation to modernize and strengthen our core infrastructure. This includes, but is not limited to, the agency’s information technology resources. We are making investment in core infrastructure a departmental priority, which is reflected in our executive budget request. Having a solid foundation for our people, our systems and our technology, equipment and facilities, is essential for the success of all our goals and strategies.

Deliver Technology Solutions

Technology serves as an accelerator to the core processes of the agency. ADOR optimally leverages technology to increase transparency, end-user convenience and staff productivity to deliver taxpayer services. We are taking care to avoid applying costly, time-consuming IT solutions to existing inefficient, overly bureaucratic ways of doing business. We will first do the hard work of identifying customer value streams and ensuring standard work flow for similar type activities so continuous improvement can occur. Taking the steps out of order risks locking in inefficiency because of the considerable financial investment technology solutions often incur. When performed in the correct sequence, however, process improvements involving information technology can greatly enhance and even accelerate the delivery of government services that taxpayers value.
Strategic Objectives

**BT 1** Reduce customer phone call wait time to one minute or less

As a customer, when you call a business with questions or need assistance, you don’t like to be placed on hold. Nevertheless, it happens and most people accept the inconvenience and willingly wait their turn – up to a point. At ADOR, our daily customer call volumes at peak times can number into the thousands resulting in extended call wait times. We acknowledge that these prolonged wait times are an unacceptable aggravation for our customers. For this reason, we have set a breakthrough performance objective to reduce average customer call wait times to one minute or less. We recognize that we have an obligation to be responsive to taxpayer questions and concerns. Being responsive means not only fielding calls quickly but also having knowledgeable customer care representatives on hand to answer questions and resolve problems.

**OS 2** Reduce average days to process individual income tax refunds from electronic returns

Every taxpayer who is owed a refund wants to receive it as quickly as possible. To this end, we have set a performance measure to reduce the average number of days to process income tax refunds from electronically-filed returns. While processing refunds quickly is important, it is equally important to identify and prevent fraudulent income tax returns that claim to be owed a refund. Though time-consuming, our internal set of checks and verifications is vital to ensuring that refunds are paid only to taxpayers to whom a refund is actually owed.

**OS 2** Reduce average days to process TPT electronic returns

Currently TPT returns filed electronically can suspend in ADOR’s online portal, AZTaxes.gov, and not reach the tax accounting system (TAS.) We adopted this performance measure because our mission of serving taxpayers depends on the ability to process tax returns swiftly with quality, which we define as a high percentage of completeness and accuracy when processing a TPT return from AZTaxes.gov to TAS.

**OS 2** Increase percentage of online transactions

Online transactions through AZTaxes.gov are not limited to just TPT returns. They also include TPT license applications, TPT payments, as well as withholding tax returns and payments. Yet not all Arizona tax types can be processed online. For example, corporate tax returns and payments are still being processed manually in paper hard copy, which is costly and inconvenient for our customers and process staff alike. Our mission of serving taxpayers embraces the delivery of quality

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Strategic Objectives

CONTINUED...

customer service at the speed of business. We created a performance measure aimed at increasing the percentage of the department’s online transactions because customers in today’s global marketplace expect fast, accurate and radically simple interactions, delivered online.

**Increase TPT return filing compliance**

Arizona’s transaction privilege tax (TPT) is the largest revenue-generating tax type for the state. As such, we chose TPT return filing compliance as a performance measure because maximizing filing compliance equates to more money for the state General Fund. Revenue collection directly impacts Arizona’s quality of life, as it funds innumerable programs benefiting citizens – everything from education, health and welfare, public safety, transportation, inspection and regulation, as well as general government service. Businesses that fall behind in their tax obligations do not often stay in business. By educating business owners on better filing practices, we may help them be more successful in the long run.

**Increase prevention of individual income tax fraud**

It is an unfortunate reality that each year more taxpayers fall victim to income tax fraud. As this criminal behavior has grown in both scope and sophistication, so too has its impact on Arizona citizens, not only in terms of dollars stolen but also the longer lasting residual effects resulting from identify theft. We recognize that preventing income tax fraud is an important part of our mission of serving taxpayers, and so we selected this worthwhile objective as a performance measure.

**Track actual vs. estimated state tax collections**

Revenue estimation is a vital part of state government planning. The taxes collected by ADOR represent a significant portion of the state’s General Fund operating budget. Meeting or exceeding estimated state tax collections is a key indicator of our overall performance with respect to taxpayer education, efficient processing of payments and returns, and helping to assure that taxpayers are remitting the taxes that are owed.

**Statewide Metrics**

1. **Number of administrative rules improved or repealed**
   Develop and implement a method to periodically review, update, and if appropriate, eliminate agency administrative rules.

2. **Number of agency FTE count**
   Manage FTE counts across State government.

3. **Number of regrettable attrition**
   Retain our best and brightest employees.

4. **Percentage adoption of Arizona Management System**
   Increase capacity to fulfill our ever-increasing vital mission by deploying a professional, results-driven management system.

5. **Number of breakthroughs achieved**
   Aim high by looking for breakthrough results that deliver radical improvement in service, productivity, quality and cost effectiveness.

6. **Percentage of Services Online**
   Provide fast, accurate and radically simple interactions, delivered online to our customers in today’s global marketplace.