

PERFORMANCE AUDIT

DEPARTMENT OF REVENUE

AGENCY-WIDE ISSUES

Report to the Arizona Legislature
By the Auditor General
September 1985

85-11



DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

September 27, 1985

Members of the Arizona Legislature
The Honorable Bruce Babbitt, Governor
J. Elliott Hibbs, Director
Department of Revenue

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Department of Revenue, Agency-Wide Issues. This report, the fifth and final in a series, was prepared in response to an April 27, 1983, resolution of the Joint Legislative Oversight Committee. The performance audit was conducted as a part of the Sunset Review set forth in A.R.S. §§41-2351 through 41-2379.

Previous reports have addressed problems in several functional areas including auditing and collections, tax processing, taxpayer assistance, and bingo regulation and enforcement. This report provides responses to the twelve statutory Sunset factors, and addresses the adequacy of certain central management functions. We recommend improvements in agency-wide training, internal audit, and interdivisional coordination. The report also discusses the need to ensure that uniform policies and procedures are followed in the Agency's Tucson office.

My staff and I will be pleased to discuss or clarify items in the report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Douglas R. Norton".

Douglas R. Norton
Auditor General

Staff: William Thomson
Peter N. Francis
Martha Bradley Dorsey
Edward J. Corey, Jr.

Enclosure

SUMMARY

The Office of the Auditor General has conducted a performance audit of the Department of Revenue (DOR), in response to an April 27, 1983, resolution of the Joint Legislative Oversight Committee. This report, the fifth and final in a series on the Department of Revenue, was completed as part of the Sunset Review set forth in Arizona Revised Statutes §§41-2351 through 41-2379.

DOR was established in 1973 by Senate Bill 1019, which combined the duties of the former Department of Property Valuation and the Estate Tax Commissioner with part of the State Tax Commission's responsibilities. DOR is responsible for administering Arizona's tax laws in the primary areas of income, sales, use, luxury, withholding, property, estate, fiduciary, bingo and severance.

DOR Could Improve Its Overall Performance If Certain Management Functions Were Strengthened

Effectiveness, efficiency and accountability could be increased if DOR took steps to improve some of its central management functions. The Department is deficient in the areas of training, internal audit and coordination among divisions. The Department also needs to strengthen control over the Tucson Division to ensure that the office follows agencywide policies and procedures.

We found insufficient training in each major area we reviewed. DOR auditors in the Taxation Division, for example, may not have sufficient training to handle audits of complex accounts. DOR's Collections and Taxpayer Services Divisions and processing function also suffer from inadequate training. A greater investment in training would be cost effective since functions such as auditing and collections, which are impaired by poor training, involve millions of dollars of revenue.

In addition, DOR lacks an internal audit function needed to minimize and detect revenue-handling abuses as well as to ensure uniformity of policies and procedures. We found several examples of inadequate procedures in the Department's receipt-handling which may leave open the opportunity for revenue mishandling or theft.

DOR's divisions and sections have shown difficulty coordinating and communicating effectively. This lack of coordination and communication results in such problems as incomplete taxpayer monitoring and unnecessary processing delays. For example, a bingo licensee convicted of a felony charge involving illegal receipt of large sums of money was never reported to the Taxation Division's compliance unit.

Finally, the Department needs to ensure that the Tucson office follows its established policies and procedures. The Tucson office is organized as a separate division, although it performs many of the duties performed by the other divisions. Although this arrangement has provided Tucson with greater access to the Director's office, it has also created some inequities in work load, inefficiencies, and differences in procedures between the Phoenix and Tucson offices. Regardless of whether this organizational structure is maintained, DOR should strengthen control over the Tucson office's activities to eliminate possible differences in policies and procedures between Tucson and the other divisions.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Department of Revenue (DOR), in response to an April 27, 1983, resolution of the Joint Legislative Oversight Committee. This report, the fifth and final in a series on the Department of Revenue, was completed as part of the Sunset Review set forth in Arizona Revised Statutes §§41-2351 through 41-2379.

DOR was created in 1973 by Senate Bill 1019, which combined the duties of the former Department of Property Valuation and the Estate Tax Commissioner with part of the State Tax Commission's responsibilities. DOR is responsible for administering Arizona's tax laws including areas of income, sales, use, luxury, withholding, property, estate, fiduciary, bingo and severance.

The Department is divided into seven divisions under the Director's office.

Taxation Division - Audits income, sales, use, severance, luxury and estate taxpayers' records for compliance, and conducts criminal investigations of potential tax evasion schemes.

Collections Division - Enforces collection of income, sales, use, luxury, withholding, property and estate taxes through investigation, contact with potential violators, and use of enforcement tools such as liens, and seizure and sale of property.

Taxpayer Services Division - Issues licenses for sales, use withholding, bingo, tobacco and cannabis taxpayers; responds to taxpayer inquiries and helps resolve taxpayer problems; and enforces bingo statutes.

Property and Special Taxes Division - Sets appraisal guidelines and develops property appraisal information system for use by the Division and counties; determines location and market or statutory value of utilities, transportation, communications and mines ("for ad valorem tax purposes"); and conducts audits for compliance, uniformity and accuracy of appraisal and assessment practices of locally assessed properties.

Tucson Division - Administers the tax laws for individual income, corporate, withholding, sales, use and bingo taxes; and administers the taxpayer services, cashiering and licensing functions, largely for the southern part of the State including Pima, Santa Cruz, Cochise, Graham, Greenlee, Pinal, Gila and Yuma Counties.

Administration Division - Performs service-related functions for DOR including records retention and retrieval, mail distribution, revenue processing and data processing; and provides taxpayer service through income tax processing, and refunds and accounts receivable processing.

Management Services Division - Provides training, forms analysis, management analysis, and data processing and econometric services to all DOR divisions.

Director's Office - Among other activities, conducts internal investigations on employee grievances, holds administrative hearings to resolve disputes between taxpayers and DOR, and responds to taxpayer inquiries.

Staffing And Budget

Table 1 itemizes the Department's expenditures by division and type of expenditure.

TABLE 1

DOR ESTIMATED AND ACTUAL EXPENDITURES
BY DIVISION AND EXPENDITURE TYPE
FISCAL YEARS 1983-84 THROUGH 1985-86
(UNAUDITED)

<u>Division</u>	<u>Actual 1983-84</u>	<u>Estimated 1984-85</u>	<u>Approved 1985-86</u>
Administration	\$ 9,025,400	\$ 8,572,100	\$ 9,575,100
Collections	1,589,200	2,222,300	2,385,100
Director's Office	4,069,700	3,519,000	4,218,900
Management Services	347,300	480,400	506,100
Property And Special Taxes	2,647,500	9,977,200	2,734,500
Taxation	3,698,800	4,474,800	4,766,700
Taxpayer Services	790,200	1,021,700	1,134,800
Tucson Branch	1,853,100	2,537,200	2,738,100
Total Divisions	<u>\$24,021,200</u>	<u>\$32,804,700</u>	<u>\$28,059,300</u>
<u>Expenditures</u>			
FTE Positions	712.4	762.0	824.75
Personal Services	<u>\$11,401,700</u>	<u>\$13,557,000</u>	<u>\$15,280,700</u>
Employee Related Expenses	<u>2,444,500</u>	<u>3,107,300</u>	<u>3,420,200</u>
Professional And Outside Services	3,111,900	2,514,900	2,256,100
Travel - State	218,200	305,100	307,000
Travel - Out Of State	289,400	396,100	396,800
Other Operating Expenses	6,112,800	5,524,900	6,318,800
Equipment	<u>412,700</u>	<u>0</u>	<u>49,700</u>
Subtotal	<u>10,145,000</u>	<u>8,741,000</u>	<u>9,328,400</u>
Operation Subtotal	23,991,200	25,405,300	28,029,300
Arizona Department Of Transportation			
Mapping Service (1)	30,000	30,000	30,000
Omnibus Tax Relief (1)	0	350,000	0
Railroad Tax			
Claims Settlement (1)	0	7,000,000	0
Property Valuation (1)	<u>0</u>	<u>19,400</u>	<u>0</u>
Total Appropriated	<u>\$24,021,200</u>	<u>\$32,804,700</u>	<u>\$28,059,300</u>

(1) Special one-time appropriations

Source: State of Arizona Appropriations Report, fiscal year 1985-86

Scope of Audit

Our final audit of the Department of Revenue involved work on five Departmental, management-related issues that Auditor General staff identified in the previous four division-specific audits of DOR. These issues were as follows:

- Whether employee training is sufficient,
- Whether the Department needs an internal audit function,
- Whether coordination and communication among divisions is adequate, and
- Whether Department management has sufficient control over the Tucson office.

In addition, we addressed the 12 statutory Sunset Factors. Our analysis of DOR's performance regarding these 12 factors is presented on pages 5 through 12.

We also surveyed all DOR employees to assess their attitudes regarding the quality of training, supervision, management and other aspects of the agency's work environment. Results of our survey are summarized on pages 31 through 33.

Finally, we conducted limited work to determine if DOR has treated taxpayers equally and fairly, and whether DOR has carried out its auditing, collections and other responsibilities in compliance with law. Employees reported that the Department has given some cases special handling and processing priority, and that some cases were improperly handled. We followed up where possible all cases specifically identified by employees; however, we could find no evidence that DOR had acted illegally or improperly.

The Auditor General and staff express appreciation to the Director and all staff of the Department of Revenue for their cooperation and assistance during the course of our audit.

SUNSET FACTORS

In accordance with Arizona Revised Statutes (A.R.S.) §41-2354, the Legislature should consider the following 12 factors in determining whether the Department of Revenue should be continued or terminated.

1. Objective and purpose in establishing the Department

In 1973, the Legislature enacted Senate Bill 1019 which authorized the establishment of the Department of Revenue. When it became operational in 1974, the Department assumed the powers and duties of the Department of Property Valuation and the Estate Tax Commissioner, and certain functions of the State Tax Commission. Currently, the Department administers all matters formerly administered by these entities.

The Department is responsible for the licensing, processing, collection and enforcement of 13 taxes for the State of Arizona, including sales and use, individual and corporate income, withholding, luxury, severance, property, estate, fiduciary, and bingo taxes. In addition, the Department is responsible for appraising the value of large, complex properties in the State including mines, utilities, railroads and pipelines. The Department monitors county performance in assessing other property.

2. The effectiveness with which the Department has met its objective and purpose and the efficiency with which the Department has operated

We identified numerous ways the Department of Revenue could improve its efficiency and effectiveness. In this report, we recommend that DOR improve its overall organizational effectiveness through better Departmental management and control. We found deficiencies in central management functions of training, internal audit and interdivisional coordination. In addition, we found that efficiency

and effectiveness could be improved within each of the divisions we reviewed.

- The Taxation Division could increase its effectiveness, and generate up to \$18 million in additional revenue, by increasing its sales tax audit coverage. In addition, audit effectiveness could be increased if more audits of large taxpayer accounts were conducted. Similarly, the Taxation Division could increase its efficiency by streamlining the protest process, which was cumbersome and inefficient at the time of our audit (see Report No. 85-5, page 37).
- Collections efficiency could be increased if collectors were provided more accurate and timely information on accounts receivable. Currently, collectors do not have all the information they need to take effective action and, on occasion, have taken erroneous escalated action. Collection of sales, corporate and withholding taxes, and bankruptcy accounts, moreover, could be more effective (see Report No. 85-8, page 11).
- Processing efficiency and effectiveness could be improved if DOR discontinued its practice of relying heavily on temporary personnel. DOR utilizes at least 37 and possibly as many as 60 temporary personnel on a nonseasonal, year-round basis. Several of these temporaries occupy critical positions in the processing area. Further, error rates could be reduced if the Department systematically monitored errors, instituted additional quality control checks, monitored employee performance more closely and monitored the performance of outside vendors (see Report No. 85-9).
- Efficiency of the Taxpayer Assistance function could also be improved if the Department improved phone service, converted more temporary positions to permanent status and improved written procedures, training and supervision (see Report No. 85-10). Currently, DOR's phone unit serves 27 percent or less of the

public demand, and the correspondence unit takes an average of 51 days to respond to taxpayer correspondence.

- Finally, the Department could improve the effectiveness of its bingo enforcement program. Additional enforcement tools such as audits and more thorough criminal background checks are needed. Adoption of a multitiered licensing system would also strengthen enforcement by allowing DOR to concentrate its limited resources on licensees who pose the greatest potential for more serious problems.

3. The extent to which the Department has operated within the public interest

The Department of Revenue's responsibility to administer and enforce Arizona's tax laws serves the public interest by generating and collecting revenue essential to the operation of State government. Generally, the Department has operated within the public interest by administering tax laws fairly, equitably and in compliance with law. In our audits of the Department, however, we identified ways DOR can better assure fair and equitable administration of its duties. A quality control review unit should be established in the Taxation Division to ensure the quality and consistency of Department audits, and to minimize the opportunity for employee abuse (see Report No. 85-5, page 29). In addition, the Department needs to establish an internal audit unit to improve controls over assets and ensure uniform compliance with Departmentwide policies and procedures (see Report No. 85-9, page 37).

4. The extent to which rules and regulations promulgated by the Department are consistent with the Legislative mandate

The Attorney General's Office is responsible for reviewing agency rules and determining if they are consistent with statute. The Department has attempted to involve the Attorney General's Office early in the rule-making process by sending preliminary drafts of

Department rules to the Attorney General's Office for review and comment, and by inviting representatives from the Attorney General's Office to attend informal monthly meetings in which new rules are discussed. The Attorney General's Office also reviews Department rules through the formal certification process required by law.

5. The extent to which the Department has encouraged input from the public before promulgating its rules and regulations and the extent to which it has informed the public as to its actions and their expected impact on the public

The Department is currently involved in a major initiative to revise its administrative rules. According to the Director of the Department, DOR rules in the past have too often been restatements of statutory language and have not provided the interpretations and clarification needed to assist taxpayers. The Department has attempted to involve the public in its rule-making process by mailing hearing notices to tax practitioners, organizations and others interested in its rules.

According to the Department Director, DOR has also kept taxpayers and the public informed of other significant changes. It has met with tax practitioners, published a newsletter and issued press releases informing the public of changes in law or procedures. The Department has also mailed notices to taxpayers with tax forms advising of changes impacting their business activity.

6. The extent to which the Department has been able to investigate and resolve complaints that are within its jurisdiction

Our review of the Taxpayer Services Division found that the Department has not been able to respond to taxpayer problems and inquiries in a timely manner. The Department is not providing adequate phone service, and response to taxpayer correspondence is slow and inefficient. Although DOR has taken some steps to address this problem, further action is necessary (see Report No. 85-10, Page 7).

To improve service to taxpayers, the Department established an Ombudsman's office in December 1984. The Ombudsman intervenes in taxpayer cases that are referred by the Director's office or the Office of the Governor, or received directly from the public. The Ombudsman's office has been able to respond in a more timely manner to taxpayer problems due to its use of more experienced personnel and its lighter work load.

7. The extent to which the Attorney General, or any other applicable agency of State government has the authority to prosecute actions under enabling legislation

The Attorney General has authority under Department statutes to prosecute criminal tax violations. This authority was clarified and enhanced with the enactment of H.B. 2336, which redefines violations and strengthens penalty provisions. However, this bill does not take effect until June 30, 1986.

8. The extent to which the Department has addressed deficiencies in its enabling statutes which prevent it from fulfilling its statutory mandates

The Department proposes legislation each year to address statutory problems and improve the administration of Arizona's tax laws. Major pieces of legislation proposed and enacted during the 1985 legislative session include the following.

- HB 2010 - provides that additional information must be included on Affidavits of Legal Property Value, including downpayment and finance information if the value of the property exceeds 5 percent of the total price.
- HB 2071 - amends several provisions governing bingo regulation, lowers the game prize limits, allows special games, provides Department investigators with limited peace officer status, and allows the Department to require additional record keeping.

- HB 2336 - amends and consolidates the administrative procedures used by the Department for sales, use, severance, luxury and income taxes. The bill redefines violations and strengthens penalty and enforcement provisions.

During the 1984 session, legislation proposed by the Department and enacted by the Legislature included the following.

- HB 2009 - provided that the Director of the Department could organize the Department as deemed necessary to maximize efficiency and effectiveness in administering and collecting taxes.
- SB 1067 - amended the sales tax statutes to allow a process of factoring to calculate sales tax liability.

9. The extent to which changes are necessary in the laws of the Department to adequately comply with the factors listed in the Sunset Law

Our review of the Department indicated that statutory changes are needed in two areas: (1) Provisions governing the imposition of withholding tax penalties need to be amended (see Report No. 85-8, page 15), and (2) statutes related to bingo regulation and enforcement need to be amended to permit a multitiered licensing system (see Report No. 85-10, page 30).

10. The extent to which the termination of the Department would significantly harm the public health, safety or welfare

Termination of the Department of Revenue would have a detrimental impact on public health, safety and welfare. Receipt of State tax monies would decrease and tax monies would not be deposited with the State treasurer in a timely manner. This could jeopardize the provision of essential State health and safety related services that depend on State funds for their continued operations. In addition,

termination of DOR would eliminate enforcement and compliance programs that are needed to ensure that all taxpayers pay their fair share of the tax burden.

11. The extent to which the level of regulation exercised by the Department is appropriate and whether less or more stringent levels of regulation would be appropriate

For the most part, this factor does not apply because the Department of Revenue is not a regulatory agency. In the case of bingo regulation, however, our review determined that regulation and enforcement needs to be strengthened to protect the public more effectively from the potential for financial abuse and other criminal activity (see Report No. 85-10, page 24).

12. The extent to which the Department has used private contractors in the performance of its duties and how effective use of private contractors could be accomplished

The Department of Revenue is using several private contractors to assist the agency in carrying out its responsibilities. Two temporary personnel agencies are under contract to provide hourly staffing in processing, taxpayer services, licensing and other areas. The Department also utilizes two other companies to provide off-site data entry services to supplement the Department's own resources during peak seasons. A software design company has been used to provide temporary programming staff. To assist its Collections Division, DOR has hired a private collection agency to collect out-of-State accounts. Finally, the Department has hired a private consultant to facilitate internal work groups and to train Department staff in group facilitation.

Our review of the Department's processing operations determined that management and control of data entry and other vendor contracts is weak and needs to be improved. In two cases, the Department has been overcharged for services rendered by outside contractors (see Report No. 85-9, page 29).

FINDING

THE DEPARTMENT OF REVENUE CAN IMPROVE DEPARTMENTAL MANAGEMENT AND CONTROL

Several indicators suggest the need for overall management and control improvements within DOR. Our audit identified deficiencies in certain central management responsibilities and functions including training, internal audit and interdivisional coordination. In addition, the Department needs to ensure that the Tucson office follows uniform policies and procedures.

Central Management Functions Should Be Improved

Departmental performance could improve if DOR took steps to alleviate deficiencies in some central management functions. DOR personnel do not receive adequate training to perform their tasks accurately and efficiently. In addition, because the Department lacks an internal audit function, it cannot ensure that internal controls are present or working effectively. Contributing also to reduced effectiveness and efficiency, DOR's various divisions do not always coordinate or communicate sufficiently with each other.

Training Is Inadequate - Better training could help to improve DOR employees' performance, according to other Auditor General reports as well as employee survey respondents. Although DOR has recently increased training efforts, it needs to make an even greater commitment to training.

Auditor General staff found several examples of insufficient training and reported these in other 1985 DOR audit reports. The audit report of the DOR Taxation Division and Hearing Office noted that DOR could significantly increase revenue if, among other improvements, management upgraded staff training. This report states that some DOR auditors may not currently have sufficient training to handle audits of complex accounts. The report also notes that better training programs are needed to ensure that audit resources are efficiently and effectively utilized.

(see Report No. 85-5, page 10 and pages 16 through 19). DOR's Collections Division also suffers from inadequate training, which impairs DOR's ability to emphasize the most productive accounts (see Report No. 85-8, page 28).

Likewise, in the Department's processing function, Auditor General staff found that high error rates have been due partly to a lack of employee training programs (see Report No. 85-9, Finding I, pages 5 through 14). Finally, we noted that substandard performance in the Taxpayer Services Division has been exacerbated by its lack of a comprehensive training program (see Report No. 85-10, pages 13 through 15).

These findings were substantiated by the results of our survey of DOR employees.* Almost half of all respondents stated that they did not receive sufficient training prior to beginning their current work duties. Respondents working in the Taxation, Collections, Taxpayer Services and Tucson Divisions were most adamant about the need for initial job training, with 56, 63, 45 and 40 percent, respectively, indicating that their prior training had been inadequate. Further, more than 56 percent of the survey respondents working in the Collections Division indicated that they received inadequate in-service training. Table 2 itemizes the survey's training question responses by DOR's divisions as well as for the Department as a whole.

* We surveyed all DOR employees in March 1985. For a summary of survey results, see pages 31 through 33. Our survey is intended to support other research we conducted as well as point out areas of concern that DOR should review. The results are not, however, intended to represent all DOR employees' opinions but only the opinions of those who responded to the survey. Therefore, survey results should be interpreted with caution.

TABLE 2

EMPLOYEE OPINION OF INITIAL AND IN-SERVICE TRAINING

<u>Question</u>	<u>Agree</u>	<u>Disagree</u>	<u>No Opinion</u>
"I received sufficient training prior to beginning my current duties."			
<u>Division:</u> Taxation	31.0%	56.3%	12.7%
Collections	28.5	62.5	8.9
Taxpayer Services	41.7	45.0	13.3
Administration	48.1	36.7	15.2
Property	51.5	27.3	21.2
Tucson Office	<u>53.3</u>	<u>40.0</u>	<u>6.7</u>
<u>Department Average</u>	<u>39.9%</u>	<u>47.0%</u>	<u>12.7%</u>
"I receive adequate training for my needs."			
<u>Division:</u> Taxation	50.7%	36.6%	12.7%
Collections	33.6	56.2	8.8
Taxpayer Services	59.3	35.6	5.1
Administration	63.8	26.3	10.0
Property	54.6	30.3	15.2
Tucson Office	<u>66.6</u>	<u>33.3</u>	<u>0.0</u>
<u>Department Average</u>	<u>54.3%</u>	<u>36.1%</u>	<u>9.5%</u>

Source: Auditor General survey of DOR employees (See Other Pertinent Information, page 27, for further detail.)

Respondents commented heavily in the survey about the inadequacy of the training they receive. One employee wrote, "(There's) never enough time to train - but there's always enough time to do something over." In a similar vein, another respondent said, "Most times a job is done first, then you find out how things should have been done." Another stated, "Many errors which exist are due to (unqualified and) untrained personnel."

DOR's commitment to training has only recently increased. Prior to December 1984, DOR's training unit consisted of only one trainer. Currently the unit employs five trainers, including one Training Director. The new training unit has been able to accomplish part of its training goals. It has developed and implemented a core curriculum, which

includes sections on, for example, DOR's tax philosophy and its computer system. In addition, the unit has established a training advisory group to assist in common Departmental training needs.

However, due at least in part to a lack of resources, many of DOR's basic, division-specific training needs are not being met. Although the Department Director agrees that there is a need for more and better training throughout the agency, the Training Director indicated that she will need a minimum of three or four additional trainers to complete DOR's divisional training needs in 3 years once needed resources are in place. Additional clerical staff and equipment would also be needed.

Such additional resources, at an annual cost of approximately \$151,000,* would be a cost-effective investment for the State. Although the effects of the lack of training cannot be precisely quantified, two functions affected by a lack of training - auditing and collections - involve millions of dollars in State revenues. In both functions, however, many staff currently lack adequate training for auditing and collecting the larger, more complex accounts. If additional training were funded and DOR audited and collected only two or three more of its largest accounts, the training costs would be more than recovered.**

DOR Needs Internal Audit - Though DOR is charged with handling the vast majority of the State's revenue (totaling about \$2.2 billion in 1983-84), the Department has no centralized internal audit function. According to the Director, DOR requested funding for an internal audit group in a previous budget, but the Legislature denied the request and the Department never requested it again. While the Department Director agrees that DOR needs an internal audit function, he stated that DOR's priority in the

* In addition, the Training Director stated there would be a one-time equipment purchase of about \$14,000.

** As an example, the average audit assessment on DOR's largest sales tax accounts is more than \$126,000 per account.

past several years has been the collection of revenues. Consequently, DOR has not pursued the issue since the aforementioned budget request.

An internal audit function would provide an independent review of compliance with DOR's internal controls and an evaluation of those controls to determine their appropriateness. Such a review and evaluation would ensure that revenue-handling abuses were minimized and detected. In the 1985 audit of DOR's processing function, for example, Auditor General staff found weaknesses in internal controls over receipt handling in three areas in which revenues could have been lost or stolen. The audit also disclosed weaknesses in the controls over personnel who have access to DOR's data processing system (see Report No. 85-9, pages 35 through 41). These weaknesses could be detected internally if DOR maintained an internal audit group.

Likewise, an internal audit function would review whether DOR's policies and procedures are being carried out uniformly by all employees in all divisions. Currently, there are seven areas within the Department that handle receipts, and each of these follows different procedures for receipts handling. It would be the responsibility of an internal audit section to review these procedures and identify unnecessary inconsistencies.

At least 11 other states' revenue departments provide for internal audit.* Our 1985 report on the processing function (mentioned previously) describes Utah's internal audit function. Utah, a state with a staff size and operating budget similar to Arizona's, employs three internal auditors who report directly to the commission chief. The goals of the unit are to test compliance with established procedures. The unit accomplishes this by performing operational audits of departmental functions, conducting special investigations of departmental personnel in

* Auditor General staff surveyed 12 western states and five other states based on DOR staff recommendations. The states included California, Colorado, Hawaii, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, New Mexico, South Carolina, Oklahoma, Oregon, Texas, Utah, Washington and Wyoming. Colorado, Idaho, Oklahoma and Wyoming did not respond to our survey. Of the remaining 13, all but Hawaii and Montana had internal audit functions.

which violations of state statutes are at issue, testing all automated and manual tax processing systems, and reviewing automated data processing programs. Another internal audit function described in the report is that of the Internal Revenue Service (see Report No. 85-9, page 38).

DOR's Divisions Operate Independently - DOR's several divisions do not always coordinate their related activities or communicate well with each other, according to Auditor General research and survey results. This lack of coordination and communication results in such problems as incomplete taxpayer monitoring and unnecessary processing delays. Although DOR is attempting to improve the situation, management could be more aggressive in its attempts to address this problem.

Inadequate coordination and communication between divisions negatively impacts taxpayer monitoring, and billing and processing timeliness. The following case examples illustrate these problems.

Case One

A bingo licensee was recently convicted of felony charges in connection with his bingo operation. Since these charges involved receiving large sums of money illegally, it is likely that the licensee never claimed these receipts on his income tax returns. However, the bingo Investigative Supervisor did not attempt to contact the Taxation Division's compliance unit regarding the matter. The Investigative Supervisor stated that he did not communicate this information to the compliance unit because the compliance unit had not acted on a previous similar case.

Case Two

In January 1985, forms used to transmit payments from the Collections Division to DOR's main office were slightly modified. The Collections Division was not informed of the impending change and had just received a shipment of 10,000 old forms. Collections discovered that the forms had been modified only after several of them were rejected by DOR's main office and returned with taxpayer checks attached.

Case Three

As noted in our 1985 audit report of DOR's Taxation Division and Hearing Office, Taxation Division auditors make amendments to protested assessments without notifying the Audit Services Section or the Hearing Office of the protest. Consequently, a taxpayer in protest could be billed in error. In fact, 396 protested income audit cases were put on billing.

Respondents to a survey of DOR employees conducted by the Auditor General also indicated that DOR needs to improve communication and coordination among its various divisions. Although most respondents (62 percent) indicated that they were familiar with the Department's organizational structure and the tasks performed by its divisions, 43 percent felt that the tasks were not logically organized by division. Also, 40 percent of the respondents believed cooperation between their individual sections and the other sections they worked with was unsatisfactory, and 51 percent indicated that DOR's divisions did not coordinate well with each other. Among the divisions, respondents from Taxation, Collections and the Tucson office felt most strongly that tasks were not organized logically and that coordination was a problem. Table 3 lists the survey's coordination question responses for DOR and its various divisions.

TABLE 3

EMPLOYEE OPINION OF DOR'S ORGANIZATIONAL
STRUCTURE AND COORDINATION

<u>Question</u>		<u>Agree</u>	<u>Disagree</u>	<u>No Opinion</u>
"I am familiar with the organizational structure of DOR and the tasks performed by the various divisions."				
<u>Division:</u>	Taxation	54.2%	29.2%	16.7%
	Collections	60.7	28.6	10.7
	Taxpayer Services	58.3	36.7	5.0
	Administration	72.6	22.5	5.0
	Property	72.7	15.2	12.1
	Tucson Office	50.5	36.6	13.3
	<u>Department Average</u>	<u>61.7%</u>	<u>28.8%</u>	<u>9.5%</u>
"DOR's tasks are logically organized among the divisions."				
<u>Division:</u>	Taxation	18.0%	57.0%	25.0%
	Collections	32.8	56.4	10.9
	Taxpayer Services	33.4	30.0	36.7
	Administration	43.8	27.6	28.8
	Property	31.3	31.3	37.5
	Tucson Office	30.0	56.7	13.3
	<u>Department Average</u>	<u>31.2 %</u>	<u>42.9%</u>	<u>25.9%</u>
"DOR's divisions coordinate well with each other."				
<u>Division:</u>	Taxation	16.7%	58.3%	25.0%
	Collections	16.1	67.9	16.1
	Taxpayer Services	28.4	41.6	30.0
	Administration	43.8	37.5	18.8
	Property	30.3	42.5	27.3
	Tucson Office	30.0	56.6	13.3
	<u>Department Average</u>	<u>26.9%</u>	<u>51.0%</u>	<u>22.1%</u>
"There is cooperation between my section and other sections we work with."				
<u>Division:</u>	Taxation	45.8%	43.0%	11.1%
	Collections	40.7	59.3	0.0
	Taxpayer Services	48.4	40.0	11.7
	Administration	63.8	27.5	3.0
	Property	69.7	27.3	3.0
	Tucson Office	43.6	43.3	13.3
	<u>Department Average</u>	<u>51.2%</u>	<u>40.4%</u>	<u>8.4%</u>

Source: Auditor General survey of DOR employees (See Other Pertinent Information, page 27, for further detail.)

DOR is making efforts to improve communication and coordination between its divisions. According to the Director, these efforts range from an employees' newsletter to Departmental reorganization for the purpose of providing greater effectiveness and efficiency. One notable effort is the Department's implementation of task forces, which are designed to develop and update procedures for DOR's various functions. These task forces bring staff from different sections and divisions together because the Director believes problems are best solved by DOR's own employees.* DOR also has initiated "problems and issues papers," wherein employees are encouraged to submit papers describing problems in the Department.

DOR Needs To Ensure Uniform
Policies And Procedures In Tucson

DOR also needs to strengthen control of its Tucson office to ensure uniform policies and procedures throughout DOR. The Tucson office serves as a separate, independent division within DOR even though it performs many of the same functions as the various divisions located in Phoenix. There are both advantages and disadvantages to this arrangement. Regardless of the organizational structure, however, DOR should strengthen control over the Tucson office's activities to eliminate possible differences in policies and procedures between Tucson and the rest of DOR.

Tucson Operates As A Branch Office - The Tucson office is a separate division performing substantially the same functions as the main DOR office in Phoenix. Like Phoenix, the Tucson office handles tax collections, audits, taxpayer assistance and licensing, but these

* DOR's task force effort began with the implementation in March 1985 of the Administration Organization Design Task Force. Its initial goal was to analyze and develop procedures within the Income Processing Section of the Administration Division, moving then to other processing areas and finally to other divisions. The task force effort is ongoing, and task forces for all tax-related areas have been scheduled.

functions are not supervised by the Collections, Taxation and Taxpayer Services divisions in Phoenix.* Instead, these functions are managed by Tucson's Assistant Director who is comparable in authority to Phoenix's Divisional Assistant Directors.

Tucson has been a separate division since March 1984. Before that time, the Tucson office was under the authority and control of the Taxation Division. That arrangement, according to the Department Director, was unsatisfactory because the Tucson office received little guidance from the Phoenix office. The Director also said the office did not really fit under Taxation or any other single division, since it performs a variety of functions that cross divisional lines.

The Tucson office represents a substantial portion of DOR's work force and responsibility. Currently about 110 DOR staff are employed in Tucson and are responsible largely for DOR functions in the southern part of the state.

Advantages And Disadvantages Of Current Arrangement - The separation of the Tucson office as a division has resulted in both favorable and unfavorable impacts. Tucson now has better access to DOR management, and it has been in some cases more innovative than Phoenix. However, the separation has also resulted in some inequities in work load distribution, inefficiencies and differences in operating procedures.

Tucson's separate divisional status has been advantageous in some respects. The office has direct access to DOR management in Phoenix through its Assistant Director, who is able to communicate directly with the Department Director regarding all aspects of Tucson's operation. The Tucson Assistant Director can therefore alert the Director to any special problems arising due to its physical distance from Phoenix headquarters. In addition, organizational separation has allowed the Tucson office some

* Tucson also has Bingo and Property Tax Sections, but these are supervised by Phoenix's Bingo Section and Property Tax Division, respectively.

flexibility to innovate, with apparent success in some cases. For example, in 1984 Tucson successfully established an assessment desk to expedite collection of monies owed as a result of audits.

Tucson's divisional status has produced some negative effects, however. Phoenix operations appear to have much heavier work loads than do the same operations in Tucson. For example, in early 1985 the average collector in Tucson was responsible for approximately one-fourth to one-third the number of accounts for which Phoenix collectors were responsible. Likewise in Tucson's Taxpayer Services Unit, employees appear to handle only about one-fifth the correspondence cases that Phoenix Taxpayer Services employees handle (see Report Number 85-10, page 33).

Other inefficiencies have resulted from the Tucson office's separation. For example, record systems are duplicated between the two locations, and no centralized DOR data base exists for information items such as liens filed and number and dates of audits conducted. Also resulting in inefficiency, the corporate audit function is split between the two locations. The two offices thus spend substantial time negotiating who will be assigned which out-of-State locations for corporate audits, when this function could be centrally controlled by one assistant director.

Perhaps the most important disadvantage, though, is the difference in procedures between the Phoenix and Tucson offices. For example, during our audit of the Collections Division, we noted differences in collections procedures between the Phoenix and Tucson offices. These differences could have resulted in the unequal treatment of taxpayers (see pages 30 and 31 of Report No. 85-8).

The DOR Director stated he perceives the advantages of Tucson's divisional separation to outweigh the disadvantages, and plans to keep the office as a separate division. However, because of the office's distance from Phoenix, its separation from other DOR divisions doing similar work, its autonomy by virtue of its separate divisional status, and the lack of ongoing independent review of its operation, the opportunity and risk exists for the office to deviate from departmental policies, procedures and methods of operation without timely management

knowledge. Therefore, regardless of the organizational structure, DOR should be concerned about maintaining control over the Tucson office's activities, policies and procedures.

CONCLUSION

DOR could take several steps to improve overall management and control of the Department. Several central management areas, training, internal audit, and interdivisional coordination are deficient. In addition, DOR management should strengthen control over its Tucson office.

RECOMMENDATIONS

The Department of Revenue should consider the following.

1. Increasing emphasis on departmentwide training to ensure that all division employees are adequately trained. Such a program should be established and implemented within 3 years to minimize additional revenue losses. This may require a request for additional funding from the Legislature.
2. Establishing an independent internal audit function that answers directly to the Director's office (see also Report No. 85-9, page 38).
3. Pursuing greater interdivisional coordination through a more aggressive commitment on the part of top management.
4. Improving the accountability of control over the Tucson office by:
 - a) Establishing an internal audit function (see Recommendation 2);
 - b) Ensuring that the Tucson office is subject to review by the audit review quality control unit we recommend in Report No. 85-5, pages 29 through 32; and

OTHER PERTINENT INFORMATION

During the course of our audit, we developed additional agencywide information pertinent to the Department of Revenue (DOR) through a survey of Department employees.

Employees Identified Both Organizational Strengths And Weaknesses

Results of our survey revealed a mixture of attitudes regarding the Department's work environment. Employees viewed several organizational dimensions favorably, such as goals and objectives, job satisfaction, supervision and equipment. However, other aspects of the work environment, including organizational structure and coordination, job environment, and management and training were rated unfavorably or weak.

Survey Methodology

We surveyed all Department employees to determine employee attitudes toward the Department's work environment. The survey instrument, consisting of 27 statements* which employees rated and several open ended questions, was mailed in March 1985 to 1,080 permanent, temporary and former Department employees. Three hundred and fifty responded, for a response rate of 32 percent. Of these 350 respondents, 236 were permanent employees, 56 were temporary employees, and 58 were former employees. Survey questions were grouped into six major areas of concern: (1) Goals and Objectives, (2) Organizational Structure and Coordination, (3) Management, (4) Supervision, (5) Equipment and Training, and (6) Job Satisfaction and Job Environment. Results of the survey were analyzed Departmentwide and for each of the Department's major divisions: Taxation, Collections, Taxpayer Services, Administration, Property and the Tucson office.

* Several of these statements were adapted from an organizational climate survey administered in 1981 by the Arizona Department of Transportation, Transportation Planning Division.

Goals And Objectives - In general, the respondents believe that the Department's goals and objectives are adequately stated, and they understand how their job relates to other work at DOR. More than 60 percent of the respondents who expressed an opinion Departmentwide agree that DOR's goals are clearly stated. However, this means that nearly 40 percent were concerned about Department goals. On the favorable side, nearly 80 percent of the respondents believe they know how their job fits in with other work outside their divisions (see Figure 1).

Supervision - Generally, the survey respondents were also pleased with the supervision they received. More than 70 percent of the respondents have confidence in their supervisors' knowledge and abilities to perform their jobs. In addition, more than 75 percent of the respondents gave favorable ratings to Department supervisors' practice of letting employees know what is expected of them, while more than 70 percent of the respondents believe they were treated with courtesy and respect by their superiors. Of the respondents who expressed an opinion, almost 60 percent agree that their supervisors have enough authority and support from superiors to make the necessary decisions and perform their jobs well. In spite of this, more than 40 percent of the respondents believe that their supervisors did not have the authority and support needed from their superiors. Moreover, while 56 percent of respondents with an opinion agreed that they were getting enough information and guidance about how to do their assignments, 44 percent disagreed (see Figure 2).

Job Satisfaction - In general, the respondents from the six divisions are satisfied with their jobs at DOR and feel free to talk with a supervisor if they have a complaint. More than 65 percent of the survey respondents agree that they are satisfied with the job they have at DOR, while close to 70 percent believe that if they have a complaint to make, they can freely talk to a supervisor or superior (see Figure 3).

Equipment - According to most respondents, the Department supervisors see to it that employees have the proper equipment to carry out their work. More than 60 percent of the survey respondents across the six divisions agree that the equipment provided by their supervisors is adequate for

completing their daily assignments. However, more than 30 percent were dissatisfied with the adequacy of the equipment provided by supervisors (see Figure 4).

Organizational Structure And Coordination - According to survey respondents, DOR's tasks are not logically organized among the divisions of Taxation, Collections and the Tucson office, and these divisions do not coordinate well with other related sections. Of those surveyed who expressed an opinion, more than 75 percent of the respondents in Taxation, 63 percent of the respondents in Collections, and 65 percent of the respondents from the Tucson office do not believe that DOR tasks are logically organized among the various divisions. In addition, nearly two-thirds of these same respondents indicated that DOR's divisions do not coordinate well with each other (see Figure 5). This is discussed in more detail in the Finding of this report (see page 18).

Job Environment - Survey respondents were generally split on whether DOR's working environment was conducive to employee productivity. On the whole, more than one-half of the respondents across the six divisions do not believe that their work environment is favorable for carrying out their work. The division in which this was most evident was Collections, where more than 50 percent of the respondents indicated that their work environment inhibited their productivity (see Figure 3).

Management - In addition, respondents expressed concerns about top management. More than 70 percent of the survey respondents agreed that they do not receive enough information from upper-level management. This was most evident in the Collections Division and the Tucson office. Similarly, respondents indicated a lack of confidence in the fairness and honesty of management. This was indicated most by respondents in the Collections Division and the Tucson office, where approximately two-thirds of the respondents believe this to be true. In addition, respondents generally believe that management does not listen to the recommendations of its employees. This was most evident in the Collections Division, where more than 75 percent of the respondents believed that management does not listen to them.

Because survey returns were anonymous and many lacked detail, we were unable to follow up on specific concerns in this area. However, our review of the Department also revealed that overall management of the Department, including interdivisional coordination and communication, needs to be improved (see Figure 6). Some of the changes and improvements we recommend may address some employee concerns about top management (see Finding, page 13).

Training - Finally, more than half the respondents with an opinion felt they do not receive the training they need before beginning their work. This response was most prevalent in the divisions of Taxation and Collections, where 65 percent of the respondents who expressed an opinion believe that before they began their work assignments sufficient training was not provided (see Figure 4). For further discussion of this problem, see page 14.

FIGURE 1

GOALS AND OBJECTIVES

I understand how my job relates to other jobs in my section

I know how my job fits in with other work at DOR

I understand the goals of my section

The goals of DOR are clearly stated

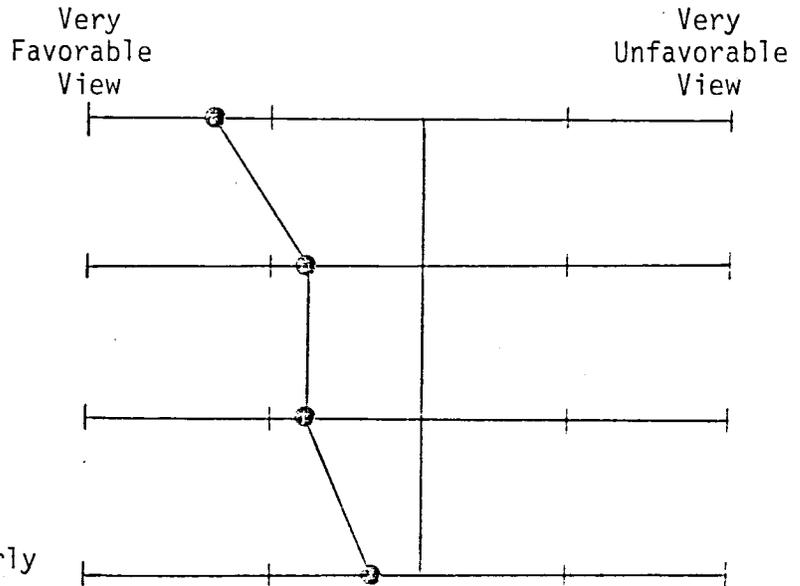


FIGURE 2

SUPERVISION

My supervisor lets me know what is expected of us

I do get enough guidance or information about how to do my assignments

My supervisor has enough authority and support from superiors to make the necessary decisions and perform his/her job well

I have confidence in my superiors' knowledge and abilities to perform their job

I am treated with courtesy and respect by my superiors

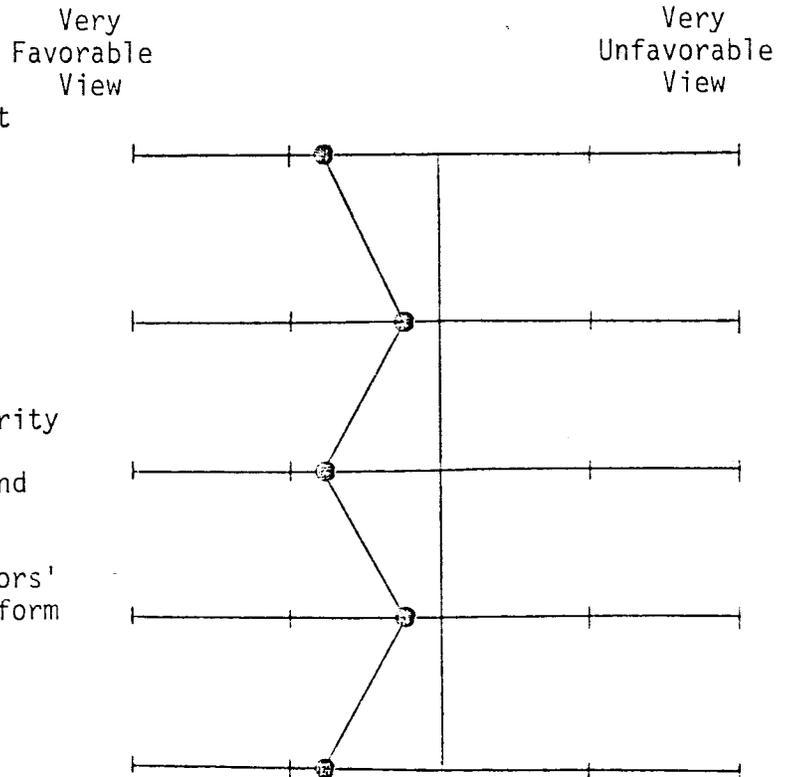


FIGURE 3

JOB SATISFACTION
AND JOB ENVIRONMENT

If I have a complaint to make,
I feel free to talk to the
supervisor or superior

In general, I am satisfied with
the job I have at DOR

DOR's grievance procedures are
adequate for handling my
problems or complaints

My work environment is
conducive to my productivity

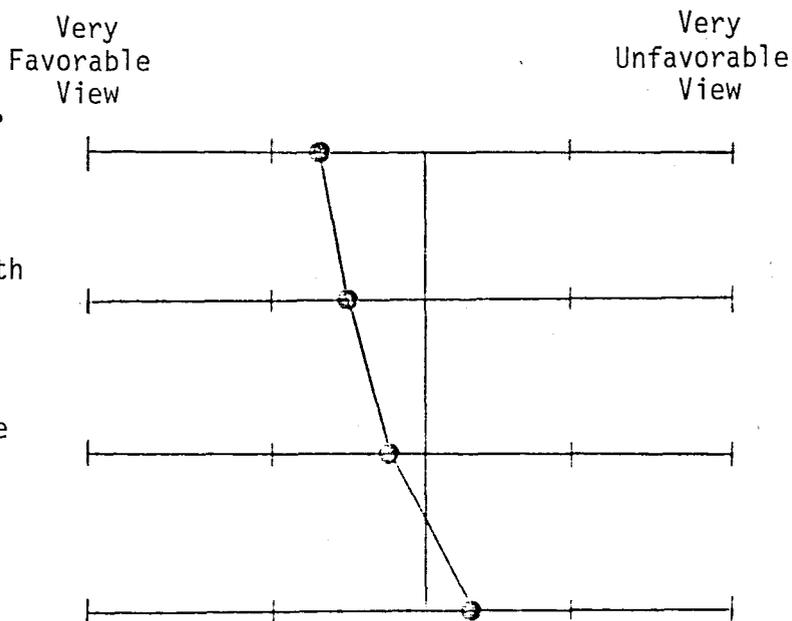


FIGURE 4

EQUIPMENT AND TRAINING

My supervisor sees to it that
we have the things we need to
do our work

I have the right equipment to
do my work

I receive adequate training
for my needs

I received sufficient training
prior to beginning my current
duties

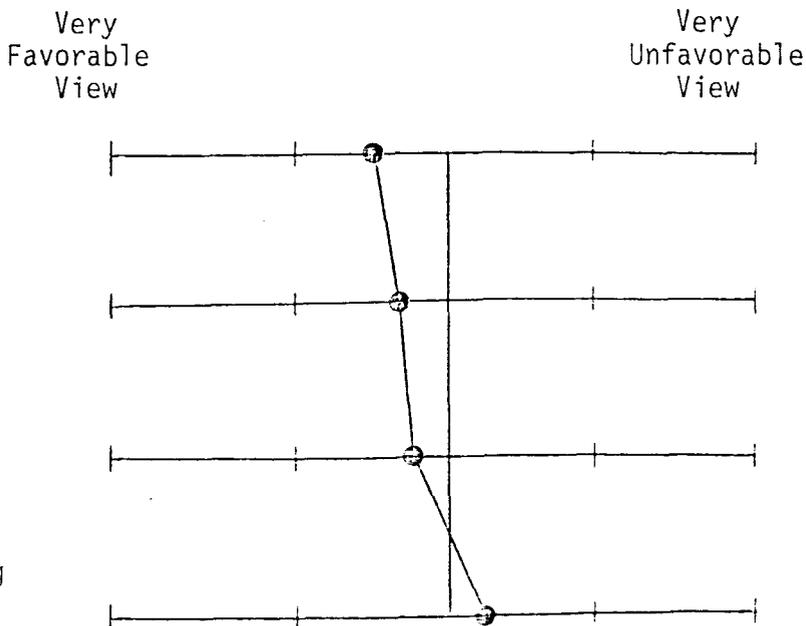


FIGURE 5

ORGANIZATIONAL STRUCTURE
AND COORDINATION

Very
Favorable
View

Very
Unfavorable
View

There is cooperation
between my section and
other sections we work with

I am familiar with the
organizational structure of
DOR and the tasks performed
by the various divisions

DOR's tasks are logically
organized among the
various divisions

DOR's divisions coordinate
well with each other

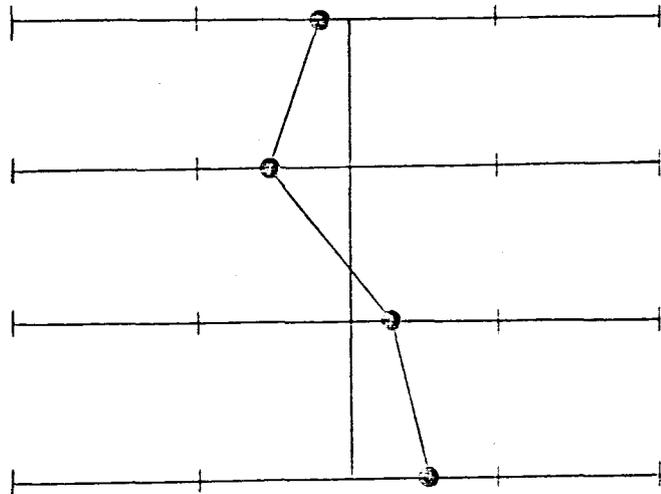


FIGURE 6

MANAGEMENT

Very
Favorable
View

Very
Unfavorable
View

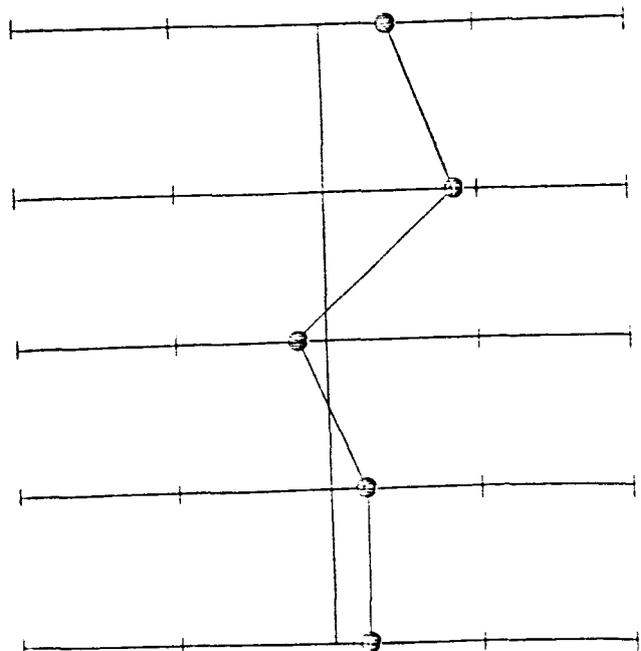
Management listens to the
recommendations of qualified
staff personnel

We do receive enough information
from top management

Management encourages us to
make suggestions for improvements
here

I have confidence in the fairness
and honesty of management

Management listens to our
suggestions and complaints





J. Elliott Hibbs
Director

Bruce Babbitt
Governor



September 26, 1985

Mr. Douglas R. Norton
Auditor General
2700 North Central
Phoenix, Arizona 85003

Dear Mr. Norton:

We generally agree with the finding and recommendations contained in your performance audit on agency-wide issues. To present a balanced review of the Department's performance over this period, however, the progress we have made also deserves highlighting.

Substantial improvement has occurred in the Department's operations. Our productivity has increased dramatically, we have brought fairness to Arizona's property tax system, our enforcement program has generated tens of millions of new dollars in annual revenues, and our processing systems have progressed from calculators and tally sheets to electronic registers and computer systems.

Specifically, the following are worth noting:

- Assessments per auditor (1979-'85) have increased from about \$430,000 to more than \$930,000. More significantly collections per auditor have tripled from less than \$200,000 to more than \$600,000.
- Collections of past due taxes per collector (1982-'85) have jumped from about \$160,000 to more than \$800,000.
- We have advanced from only two computerized processing systems to six.
- We instituted a simple math and data check for sales tax returns that captures over \$10 million annually in previously undetected underpayments of these taxes.

Mailing address (Capitol):
1700 W. Washington
Phoenix, AZ 85007

Other locations:
Phoenix Uptown
5555 N. 7th Avenue

Tucson
402 W. Congress

Page Two
Mr. Douglas R. Norton
September 26, 1985

- Since the Department has been reorganized, we have been able to identify and tackle problems more expeditiously. For example, our Taxpayer Services Division is only approximately two years old. Four to five years prior to its development, letters would get lost or go unanswered. Now we know our inventory and are seeking better ways to respond timely. We have greatly reduced the volume and the backlog through problem prevention.
- In response to the Legislature's mandates, we have taken direct actions to achieve fair property valuations by training county appraisers, developing assessment standards, and issuing directives on uniformity of values.
- Processible refunds were issued starting January 7th this year - earlier than ever - with an average turnaround of ten days to two weeks until the peak hit on April 15th. Even with 600,000 income tax returns hitting at the peak, more than 99% of all refund returns were processed within ten weeks.

These are just a few of the remarkable advances made by this Department, but the key question is: "Where are we headed?"

The state's recent fiscal crisis forced us to rapidly assimilate this growth of people and computerization of systems, putting primary emphasis on revenue enforcement. We succeeded in these efforts. Then we began turning our energies to improving the quality of service for the taxpayer. Last year we instituted two task forces to identify improvements for taxpayer assistance and processing. This year we will have five task forces: collections, audit, taxpayer assistance and two in processing.

We have improved tremendously and we are going to continue by stressing quality of performance. Your audit has pointed out some deficiencies. We will implement your staff's findings where appropriate and this should help us to further our goals and meet our objectives. We are a dynamic agency which has some problems, but the Revenue Department consists moreover of people who have dramatically improved Arizona's tax processing, tax collections, and tax fairness. These people have earned recognition and they deserve it.

Sincerely,

ARIZONA DEPARTMENT OF REVENUE



J. Elliott Hibbs
Director

blm/m3

DEPARTMENT OF REVENUE COMMENTS

AUDITOR GENERAL

PERFORMANCE AUDIT - AGENCY-WIDE

Finding: The Department of Revenue can improve departmental management and control.

Audit Recommendation 1: Increasing emphasis on departmentwide training to ensure that all division employees are adequately trained. Such a program should be established and implemented within three years to minimize additional revenue losses. This may require a request for additional funding from the legislature.

DOR RESPONSE:

WE HAVE GONE FROM ZERO DAYS OF CLASSROOM TRAINING IN 1980 TO AN EQUIVALENT OF 2,415 DAYS OF TRAINING IN FY '84-85. EVEN MORE NEEDS TO BE DONE AND WE HAVE REQUESTED THAT THE LEGISLATURE FUND FOUR ADDITIONAL TRAINERS FOR FY '86-87.

Audit Recommendation 2: Establishing an independent internal audit function that answers directly to the Director's Office.

DOR RESPONSE:

WE CONCUR AND HAVE ASKED THAT THE LEGISLATURE FUND AN INTERNAL AUDIT UNIT IN OUR FY '86-87 BUDGET REQUEST.

Audit Recommendation 3: Processing greater interdivisional coordination through a more aggressive commitment on the part of top management.

DOR RESPONSE:

WE HAVE ALREADY DONE THIS THROUGH TASK FORCES, EMPLOYEES' NEWSLETTER, REORGANIZATION OF DEPARTMENTAL FUNCTIONS, TOWNHALLS, SCHEDULED SUPERVISORS MEETINGS AND EMPLOYEE "PROBLEMS AND ISSUES PAPERS." ALL OF THESE ARE ON-GOING AND WE WILL CONTINUE TO IMPROVE UPON THEM.

Audit Recommendation 5: Improving the accountability of control over the Tucson Office by: (a) establishing an internal audit function; (b) ensuring that the Tucson Office is subject to review by the Audit Review Quality Control Unit we recommend in Report No. 85-5; and (c) coordinating more closely between the Tucson and Phoenix Offices to equalize workloads and ensure uniformity of policies and procedures.

DOR RESPONSE:

WE HAVE REQUESTED FUNDING FOR INTERNAL AUDITORS FROM THE LEGISLATURE AND ALL DOR AUDITS WILL BE SUBJECT TO REVIEW BY OUR AUDIT REVIEW QUALITY CONTROL UNIT. TUCSON WILL REMAIN A SEPARATE DIVISION. WHENEVER ANY SIGNIFICANT DISCREPANCY IN POLICIES AND PROCEDURES ARISES, WE ELIMINATE IT. TUCSON PARTICIPATES IN OUR TASK FORCES AND IN THE PROMULGATION OF AGENCY-WIDE POLICIES AND PROCEDURES. WORKLOAD UNEQUALIZATION IS NOT A CASE OF ONE DIVISION HAVING INSUFFICIENT WORK TO KEEP IT BUSY. IT IS SIMPLY THE SITUATION WHEREBY ALL DIVISIONS HAVE MORE WORK THAN THEY CAN HANDLE BUT SOMETIMES ONE DIVISION'S OVERLOAD IS GREATER THAN THE OVERLOAD OF ANOTHER DIVISION.

AUDITOR GENERAL SURVEY
OF
DEPARTMENT OF REVENUE EMPLOYEES

DOR WORK ENVIRONMENT

The following is a list of statements designed to solicit your opinion on aspects of the DOR work environment. Please circle the number which most closely corresponds to your opinion or perception (1 = agree most strongly to 5 = disagree most strongly). Please feel free to comment further on the back page or attach additional pages.

AGREE STRONGLY
AGREE SOMEWHAT
NO OPINION
DISAGREE SOMEWHAT
DISAGREE

- | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. I understand how my job relates to other jobs in my section. | 1 | 2 | 3 | 4 | 5 |
| 2. Management does not listen to the recommendations of qualified staff personnel. | 1 | 2 | 3 | 4 | 5 |
| 3. If I have a complaint to make, I feel free to talk to a supervisor or superior. | 1 | 2 | 3 | 4 | 5 |
| 4. My supervisor sees to it that we have the things we need to do our jobs. | 1 | 2 | 3 | 4 | 5 |
| 5. There is cooperation between my section and other sections we work with. | 1 | 2 | 3 | 4 | 5 |
| 6. In general, I am satisfied with the job I have at DOR. | 1 | 2 | 3 | 4 | 5 |
| 7. I am familiar with the organizational structure of DOR and the tasks performed by the various divisions. | 1 | 2 | 3 | 4 | 5 |
| 8. DOR's tasks are logically organized among the various divisions. | 1 | 2 | 3 | 4 | 5 |
| 9. I know how my job fits in with other work in DOR. | 1 | 2 | 3 | 4 | 5 |
| 10. I understand the goals of my section. | 1 | 2 | 3 | 4 | 5 |
| 11. The goals of DOR are clearly stated. | 1 | 2 | 3 | 4 | 5 |
| 12. I have observed instances where taxpayers were given special treatment by DOR because of who they were. | 1 | 2 | 3 | 4 | 5 |
| 13. My supervisor lets us know what is expected of us. | 1 | 2 | 3 | 4 | 5 |
| 14. We do not receive enough information from top management. | 1 | 2 | 3 | 4 | 5 |
| 15. Management encourages us to make suggestions for improvements here. | 1 | 2 | 3 | 4 | 5 |

16. I have confidence in the fairness and honesty of management.	1	2	3	4	5
17. DOR's divisions coordinate well with each other.	1	2	3	4	5
18. I do not get enough guidance or information about how to do my assignments.	1	2	3	4	5
19. I have the right equipment to do my work.	1	2	3	4	5
20. Management ignores our suggestions and complaints.	1	2	3	4	5
21. My supervisor has enough authority and support from superiors to make the necessary decisions and perform his/her job well.	1	2	3	4	5
22. DOR's grievance procedures are adequate for handling my problems or complaints.	1	2	3	4	5
23. I have confidence in my supervisor's knowledge and abilities to perform his/her job.	1	2	3	4	5
24. I receive adequate training for my needs.	1	2	3	4	5
25. I received sufficient training <u>prior</u> to beginning my current duties.	1	2	3	4	5
26. My work environment is conducive to my productivity.	1	2	3	4	5
27. I am treated with courtesy and respect by my superiors.	1	2	3	4	5

BACKGROUND INFORMATION

Please circle the appropriate response. All information will be considered confidential.

1. I am a Permanent Full-time employee
 Permanent Part-time
 Temporary, full-time or part-time
 Former employee
 Other (please specify)_____.

2. If you are a former employee, what was the reason (or reasons) you left DOR?

3. I work in the following division:

Administrative (Including Processing)	Taxpayer Services	Taxation
Property	Tucson Office	Collections

4. I have worked with DOR

0-3 months 4-6 months 7-12 months 1-2 years 2-5 years more than 5 years

5. (OPTIONAL) My job title is _____.

ADDITIONAL INFORMATION

Please attach additional pages if the space provided is insufficient to answer questions 1 - 5. Again, your responses are anonymous and will be confidential.

1. What do you consider your biggest problem on the job?

2. Do you have any specific suggestions for ways DOR may improve its performance? Please indicate the section(s) or unit(s) to which these suggestions apply. Improvements may be in the following areas:

Policy or Procedural Changes

Additional Equipment or Resources

Training

2. (Continued)

Changes in Organizational Structure

Other

3. Do you feel DOR has encouraged cooperation and communication with the Auditor General's staff during this audit?

_____ Yes _____ No

If no, please indicate how cooperation was discouraged?

4. Are DOR's actions and decisions fair and equal for all individual and/or business taxpayers?

_____ Yes _____ No

If no, do you believe the unfair treatment was improper or illegal? What was the nature of the improper treatment and approximately when did it occur?

Who authorized the action (you may give the position - e.g. "my supervisor" or the name of the individual if you prefer).

Please indicate any other details you can recall surrounding these occurrences.

5. If you would care to add further to any of the above comments or provide additional information, please write in the space below, on the back page, or attach additional pages.