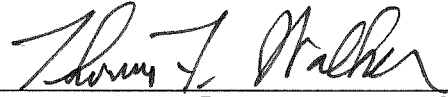


Approved

  
Date 3-30-90

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

The meeting was called to order by Representative Thomas F. Walker at  
Chairperson

9:00 a.m./p.m. on Tuesday, March 27, 1990 in room 522-S of the Capitol.

All members were present except:

Committee staff present:

Avis Swartzman - Revisor  
Julian Efird - Legislative Research  
Carolyn Rampey - Legislative Research  
Jackie Brey Meyer - Committee Secretary

Conferees appearing before the committee:

Jerry Simpson - Lottery  
Susan Duffy - Department of Revenue  
Steve Brunkan - Department of Revenue  
Jack West - Department of Revenue

Chairman Walker called the meeting to order and stated the minutes of the previous meeting would stand approved at the end of the meeting if there were no corrections or additions.

SB 762 - relating to personnel of the Kansas Lottery

Jerry Simpson, Kansas Lottery, appeared on the bill. He explained the bill would create the unclassified position of director of finance for the lottery. It would also combine the division of marketing and sales and the positions of the directors and staff of the divisions of marketing and sales. During the 1989 session the bill included the position of finance director. It was deleted by the Conference Committee.

Mr. Simpson was asked why the position was taken out by the conference committee. He replied that he did not know as he was not at the lottery at that time.

Mr. Simpson was asked about salary. He estimated it at the \$40,000 to \$45,000 range. The positions would be unclassified.

As there was no one else to testify on the bill, the Chairman declared the hearing closed on SB 762.

The next item on the agenda was the Revenue Report.

Susan Duffy appeared for the Department along with Steve Brunkan and Jack West. Ms. Duffy explained that Secretary Rolfs was in Southeastern Kansas.

Copies of the Revenue Report were distributed. (Attachment 1)  
Ms. Duffy is the Director of Research and Revenue Analysis; Mr. Brunkan is a revenue analyst and Jack West is the ABC's Chief Enforcement Officer.

Ms. Duffy gave background on the Division of Collections and stated progress during calendar year 1989. An IBM 36 computer was installed in July of 1988 to handle the workload, but it was exchanged for an AS 400 computer system that has more memory storage as well as quicker response time. Early in 1989 the Revenue Department put out bids for an Automated Collections System (ACS) to provide for increased efficiency. A contract was signed with American Management Systems (AMS) in late 1989. The implementation of ACS will result in major reorganizations in the coming year. This will not result in additional positions. Ms. Duffy called attention to a chart which illustrated a comparison of dollars collected and cases processed between 1988 and 1989.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION,  
room 522-S, Statehouse, at 9:00 a.m./p.m. on Tuesday, March 27, 1990

The collections Legal Bureau has 7.5 FTE, including three attorneys. Productivity and efficiency have increased. Total collections show a 44% increase. The bureau has had to limit itself to working only the higher dollar accounts. During 1989 collection activities were undertaken on only about half of the accounts referred by the Collections Processing Bureau. A higher minimum limit has also been set for bankruptcy claims filed on delinquent accounts.

Ms. Duffy answered several questions. She explained that the taxpayer information comes right up on the screen and the people can get right on the phone and get to the taxpayer. The 1.5 million cost does include the hardware. The Department pays the Kansas Development Finance Authority and they pay the company. The cost should be paid in three years. the ACS did have to have DISC approval. VIPS is also using the AS 400. Ms. Duffy said when the Division was reorganized people were pulled from different places in the Divisions. With ACS no staff will be added and it will free up people so they can move to other areas of need.

Jack West discussed the Criminal Tax Fraud Unit. It is basically derived from tax drug dollars. Many enforcement areas do not have the knowledge or personnel to deal with these types of matters. ABC agents deal with liquor stores, clubs etc. and agents have additional training. They also do background investigations. There will be an attorney in the legal division who will be working with them on cases to see them through the prosecution.

Steve Brunkan told of steps to make the collections process better. Multiple taxes can be put on one application, stored, then retrieved. One bill or one letter can be provided. They are going to the taxpayer with the status of his account. This also makes it easier for taxpayers. Payment is asked for and, if not received, the collections division takes over. Cross referencing is done by social security number, federal ID number etc. This is done on the DISC main framewith the Department providing the software. They are doing it within the budget.

Another area was the \$60,000 provided for training of employees. To date, out of thirteen hundred, eleven hundred have taken some type of training course from writing to stress management. This has improved morale.

The Chairman thanked Ms. Duffy and her staff and closed the hearing on the Revenue Report.

The Chairman thanked the Committee for a good year. He called the members a congenial, hard working group. He also thanked staff for their efforts. Committee members, in turn, thanked the Chairman for leading them in a good year of effort.

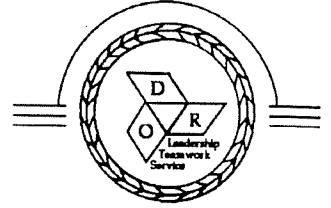
The meeting was adjourned.





Mike Hayden, Governor

# REVENUE REPORT



The Kansas Department of Revenue

Ed C. Rolfs, Secretary

The Honorable Tom Walker, Chairperson  
House Governmental Organization Committee  
State Capitol

March 19, 1990

Dear Chairman Walker,

Please accept the reports attached herewith on the following topics:

Status of the Alcoholic Beverage Control Division,  
Status of the Collections Division, and  
Status of the Consolidated Tax Processing Systems

If I can provide you or the subcommittee with any additional information, please let me know.

Sincerely yours,

  
Ed C. Rolfs  
Secretary

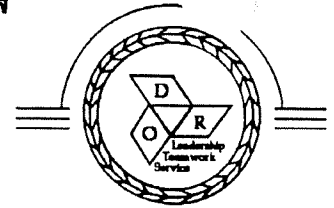
*Attachment 1*  
*G.O.*  
*3/27/90*



# REVENUE REPORT

## Division of Collections

The Kansas Department of Revenue



### The Division of Collections-Background Information:

The Division of Collections was established in October, 1987 in order to expedite the collection of tax liabilities due the Kansas Department of Revenue. The division concentrates on collecting sales, withholding, and corporate and individual income taxes. Attempts are also made to collect on various excise taxes, transient guest taxes, and controlled substances taxes. The division is to expedite collection of these taxes through expanded use of telephone contacts, improved accountability for collection accounts, reduced document flow, and increased efficiency in the collection process.

The division is comprised of three bureaus, Collections Processing, Collections Enforcement, and Collections Legal. The function of Collections Processing is to prepare accounts for collection activity. This bureau makes the first taxpayer contact and coordinates collection recommendations with the Enforcement Bureau and the Legal Bureau.

Collections Enforcement makes field contacts with taxpayers both in person and by phone in attempts to secure collections. This bureau files tax warrants and makes inspection of sales tax accounts when registration certificates have been revoked. This bureau also provides taxpayer assistance in the regional offices in Kansas City and Wichita as well as enforcing tax compliance at fairs, shows and miscellaneous sales (e.g. fireworks stands and roadside booths).

All activities which involve court action are handled by Collections Legal. These activities include the filing of garnishments and executions on tax warrants; the filing of injunctions; the preparation and filing of bankruptcy claims; the filing of claims for taxes owed by estates; review and response to mortgage foreclosure suits, and other court cases where the Department is named as a party defendant; and, collection on surety bonds from insurance companies. The bureau also provides special and partial releases of tax warrants when circumstances justify such action.

### Progress During Calendar Year 1989:

An IBM system 36 computer was installed in July of 1988 to assist the division in tracking accounts and in providing word processing capabilities and limited management reports. The System 36 was exchanged for an AS 400 computer system in early 1989 when the division's workload threatened to overload the System 36's capacity. The AS 400 allowed for more memory storage as well as a quicker response time. Despite the assistance of these computer systems, the processing of collections accounts within the division has been a largely paper driven system since the division's inception.

Early in 1989 the Department of Revenue put out an RFP for bids on an Automated Collections System (ACS). An ACS would provide for increased efficiency in collection, management, and reporting of tax liabilities due the State of Kansas. The contract for the ACS was signed with American Management Systems (AMS) in late 1989.

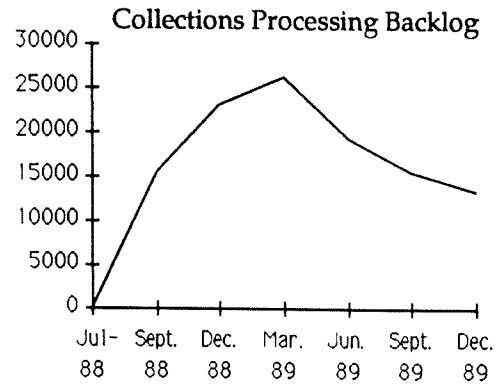
The implementation of ACS will result in major reorganizations in the coming year. Along with the ACS, the Department of Revenue is in the process of designing and implementing other tax processing systems. These projects will have a major affect on the functions and responsibilities of the various bureaus in the department. Because of these projects the assignment of functions within the department has not yet been firmly established and as such the final organization and staffing needs of the Division of Collections has, likewise, not yet been firmly established. Adaptation to these projects will not result in additional positions needed.

### Collections Processing Bureau: number of FTE

The Collections Processing Bureau has achieved significant gains in collections and cases processed during 1989. The following chart illustrates a comparison of dollars collected and cases processed between 1988 and 1989. Several factors enter in to the large differences in these figures. The bureau reorganized in July of 1988 because of the lack of an automated system, the volume of work which was confronted and the difficulty in cross training employees to handle all taxes. This reorganization resulted in greater efficiency in processing cases and added emphasis on higher dollar accounts.

The collections figures are based on monthly figures because of the introduction of the System 36/AS 400 in mid 1988. Prior to this time the amounts collected were not recorded due to the lack of a system which would allow for it. Increased efficiency in processing accounts for most of the increased collections figures. Another factor would be the increased emphasis on recording information on the AS 400 after the first of 1989, prior to that time the bureau was very limited in the number of System 36/AS 400 terminals available to it.

	<u>CY 1988</u>	<u>CY 1989</u>
Ending Bal-Active Cases	23,088	13,176
Cases Entering Division	23,823	19,080
Cases Processed:		
Income Tax Unit	5,166*	41,413
Sales Tax Unit	2,753*	17,632
Withholding Tax Unit	1,540*	8,742
Special Referral Unit	868*	7,329
Collections	\$1,927,091*	\$7,318,651
Monthly Average	\$328,682 (6 Mo.)	\$609,888 (12 Mo.)



\*Represents counts for the last six mo. of 1988, figures are not available prior to July, 1988.

#### The Collections Enforcement Bureau number of FTE

The following is a comparison report of the Collections Enforcement Bureau's activities for the calendar years 1988 & 1989:

	<u>1988</u>	<u>1989</u>
Assignments	30,809	26,587
Collections	\$6,982,015	\$8,062,366

Of the total collections for 1988, \$4,514,850 represented accounts receivable field collections. Of the total collections for 1989, \$6,174,826 represented accounts receivable field collections. The difference represented collections from miscellaneous accounts such as carnivals, fairs, fireworks, etc. and current account collections in the field.

Our increased collections in 1989 over 1988 have been realized from a more concentrated effort on phone power and the use of appearance notices, which resulted in a decrease of 25,503 miles in business miles traveled over the same period a year ago.

Hopefully when the automated collections system (ACS) is on line, we will have direct entry capabilities in the regional offices for accessing assignments as well as entering collections.

#### The Collections Legal Bureau 7.5 FTE

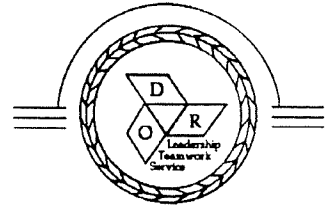
The Collections Legal Bureau has 7.5 FTE, including three attorneys. Although the number of positions has stayed the same since the bureau was organized in late 1987, the bureau has continued to increase its efficiency and productivity. For example, total collections for calendar year 1989 were \$3,609,785, compared with \$2,496,141 for 1988 (a 44% increase). The major area of increase in work during the past year has been in the number of accounts referred to us for injunction. We received an average of 47 cases per month in 1989, compared with 11 cases per month in 1988. Most of these cases were resolved without actually obtaining an injunction. The threat of injunction is often an effective tool in securing the payment of delinquent sales and withholding accounts. During the past year we have also increased our use of property seizures as a collection tool.

Due to the constraints on manpower, the bureau has had to limit itself to working only on the higher dollar and higher probability accounts. For example, in 1989 we undertook collection activities on only about half of the accounts referred to us by the Collections Processing Bureau. We have also set higher minimum limits for bankruptcy claims filed on delinquent accounts.



# REVENUE REPORT

## Alcoholic Beverage Control Division



The Kansas Department of Revenue

FY 88-89

The Alcoholic Beverage Control Division has made significant improvements in operational efficiency through the course of fiscal years 1988 and 1989. A 13% reduction of FTE positions from FY 88 (69 FTE) to FY 89 (60 FTE) combined with an 18% reduction in OOE (FY 88-\$332,731, FY 89-\$272,155) demonstrates the result of a division-wide effort to eliminate inefficiencies. These changes can be traced to two primary initiatives: the introduction of modern computer technology to daily office operations; and a reevaluation by management staff of the Division's goals and the methods necessary to accomplish them.

Probably the most tangible of these is the increased usage of computers to assist in daily office operations. Equipment was acquired and a project begun in the fall of 1987 to establish a database of all liquor licenses and permits issued by the Division. Initial data entry was completed on this system in December of 1988. The system performs such routine tasks as preparing monthly renewal listings, mailing labels and various administrative reports. Information such as ownership, administrative activity and record of violations is available on all licensees via on-line terminal, reducing the need for more time-intensive searches of paper files.

In addition to the licensing system, the introduction of modern word-processing applications and electronic storage of information have played a major role throughout the Division. A considerable portion of the Division's outgoing correspondence consists of routine forms such as correction letters and citations. With the technology and training now available, an individual clerk can prepare necessary correspondence and reports that previously would have required the efforts of several clerks using typewriters.

The second element involved in the Division's improved level of efficiency centers around a revision of management philosophy as applied to structure and control of operations. The technological advances previously described impacted primarily on office operations. The introduction of new management concepts has proven beneficial to both office and field staff alike. This overall change in approach can be broken down into three essential elements:

- 1) Provide supervisors with the time and tools to perform as supervisors. Supervisory personnel at the work unit level, both field and office, had become supervisors in name only. Supervisors were performing routine daily tasks and assignments at the same level as subordinate associates, with little or no time left for much needed review and evaluation of their work unit's overall needs, direction and performance. A concentrated effort has been made to shift an appropriate portion of the routine workload back onto subordinate associates. An additional effort has been made to instruct supervisors, both in formal training and in individual counseling and guidance sessions conducted by Division management, on various methods and procedures which can allow them to more effectively function in their supervisory capacity.

2) Increase interaction and exchange of information between work units. A close examination of the Division's internal structure revealed a very high level of compartmentalization. Ideas and information flowed from one work unit to another at only the minimum necessary levels, with decisions and changes made by one unit sometimes never shared with associates who could potentially be affected. Procedures have been developed to establish Division Administration as a central clearinghouse of information on policy and operational matters for the entire Division.

3) Continual review of all operations for unnecessary paperwork and procedures. In most cases, written job descriptions only provided a working outline of the duties assigned to a position, with the actual working details of an associate's job learned from co-workers and supervisors. As a given position is filled, vacated, refilled, etc., there was a tendency for each subsequent associate to do the job exactly as it was done by the person before. As a result, many forms and procedures with no real value remained in place simply because "that's the way we've always done it." ABC associates are now continually reviewing their duties for obsolete or unnecessary operations. Those items identified as serving no valid purpose toward accomplishing the mission of the Department are eliminated. Additional benefits are also derived from actively involving associates in decisions about their duties and providing them with a clear idea of how their efforts contribute toward the success of the Division and the Department as a whole.

#### FY 90-91

ABC goals for FY 90 and 91 are to some degree extensions and refinements of concepts established in FY 88 and 89. Technology, communication and enhanced productivity continue to provide the basic support for increased efficiency. Specific goals for FY 90 and 91 are as follows:

1) Complete automation of all Records Section (gallonage tax collection) processes. This includes all training and testing necessary to have a fully operational gallonage tax/price posting computer system in place during FY 90.

2) Improve collection of delinquent taxes owed by liquor licensees. This goal has two parts: improved communication between ABC and the divisions of Taxation and Collections to speed notification of delinquencies, and; more efficient use of administrative remedies, i.e. fines and suspensions, to reduce the number of licensees who are repeatedly delinquent.

3) Complete analysis of field operations. Data will be collected on all activities by type, time involved, mileage and subsistence requirements and other pertinent statistics of ABC field activity. The study will consider possible use of the Rev. Field Representative classification as a cost-effective means of increasing licensee contact and inspection while expanding the investigative capability of the Liquor Control Investigator classification.

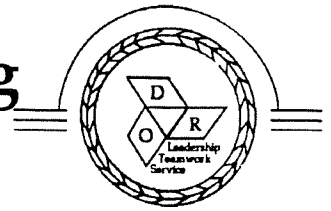
4) Establish and staff the Criminal Tax Fraud Unit. Funding was provided in FY 90 to create an investigative tax fraud unit to investigate and identify suspected fraudulent activity concerning the reporting and payment of various excise, income and other taxes. Successful implementation of this program will act as a deterrent to potential tax fraud and reduce the opportunity for criminal evasion of taxes.





# REVENUE REPORT

## Consolidated Tax Processing Systems Functions



The Kansas Department of Revenue

### Document Control Processing (DCP)

- ...Mail and Remittance receipt
- ...Document Tracking
- ...Remittance entry and creation of skeleton taxpayer record
- ...Accounting for all remittance by Funds
- ...Deposit of Remittances to State Treasurer
- ...On-line entry of financial adjustment transactions
- ...STARS Interface

### Tax Document Processing Systems (i.e. BTIMS)

- ...Tax Return Data Entry
- ...Tax fund accounting per tax
- ...Tax refund identification and generation
- ...Financial Statistical reporting
- ...Deficient account identification for ARMS
- ...Initial calculation of penalty and interest - deficient accounts

### Taxpayer Accounting (TAS)

- ...Centralized taxpayer file structure
- ...Common routines for tax processing
- ...Tax distributions (i.e. State and Local)
- ...Retention of Tax Accounting balancing information

### Account Receivable(ARMS)

- ...Deficient account recording and tracking
- ...Consolidation of deficient taxpayer accounts
- ...Generation of notices of deficiencies
- ...Calculation of penalty and interest
- ...ACS account tracking
- ...Allocation of monies received to specific tax accounts
- ...Generation of transactions for recording in tax systems

### Automated Collection System (ACS)

- ...Deficient account recording and tracking
- ...Generation of notices of deficiencies
- ...Selective updates to individual accounts
- ...Automatic account scheduling and assignment tracking
- ...Audit trail of account activity
- ...Payment plan tracking

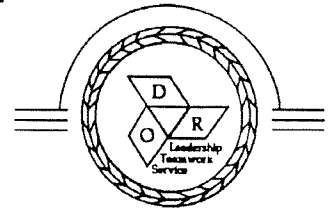
### Taxpayer Registration (TRS)

- ...Centralized registration of all taxpayer accounts
- ...Tax Return generation
- ...Standardization of names and address entry (Postal guidelines)
- ...Consolidation of multiple taxpayer's accounts
- ...Certificate and license generation

# REVENUE REPORT



## System Benefits



The Kansas Department of Revenue

### TAXPAYER BENEFITS

Timelier recording of taxpayer account transactions.

Significantly improved data accuracy.

Timely distribution of local funds to counties and cities

Consolidated Taxpayer Registration recording across taxes

Consolidated billing and correspondence across taxes

Centralized taxpayer assistance services

Simplification and standardization of processing across taxes

### AGENCY BENEFITS

Exception processing (errors) vs. mass (batch) processing

Computer generation of correspondence

Computer assisted document retrieval system

Automated tracking of documents through processing

Linking of Taxpayer accounts across taxes

Reduction of internal processing documentation through on-line corrections

Availability of Management Reports (Employee productivity, Document tracking, Work scheduling).

Utilization of database technology, structured programming and a modular design.

Audit Tracking and selection abilities.

Potential for increased collections due to timely calculation of penalty and interest.

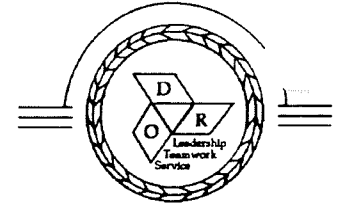
Potential savings in correspondence and postage due to consolidated billings.



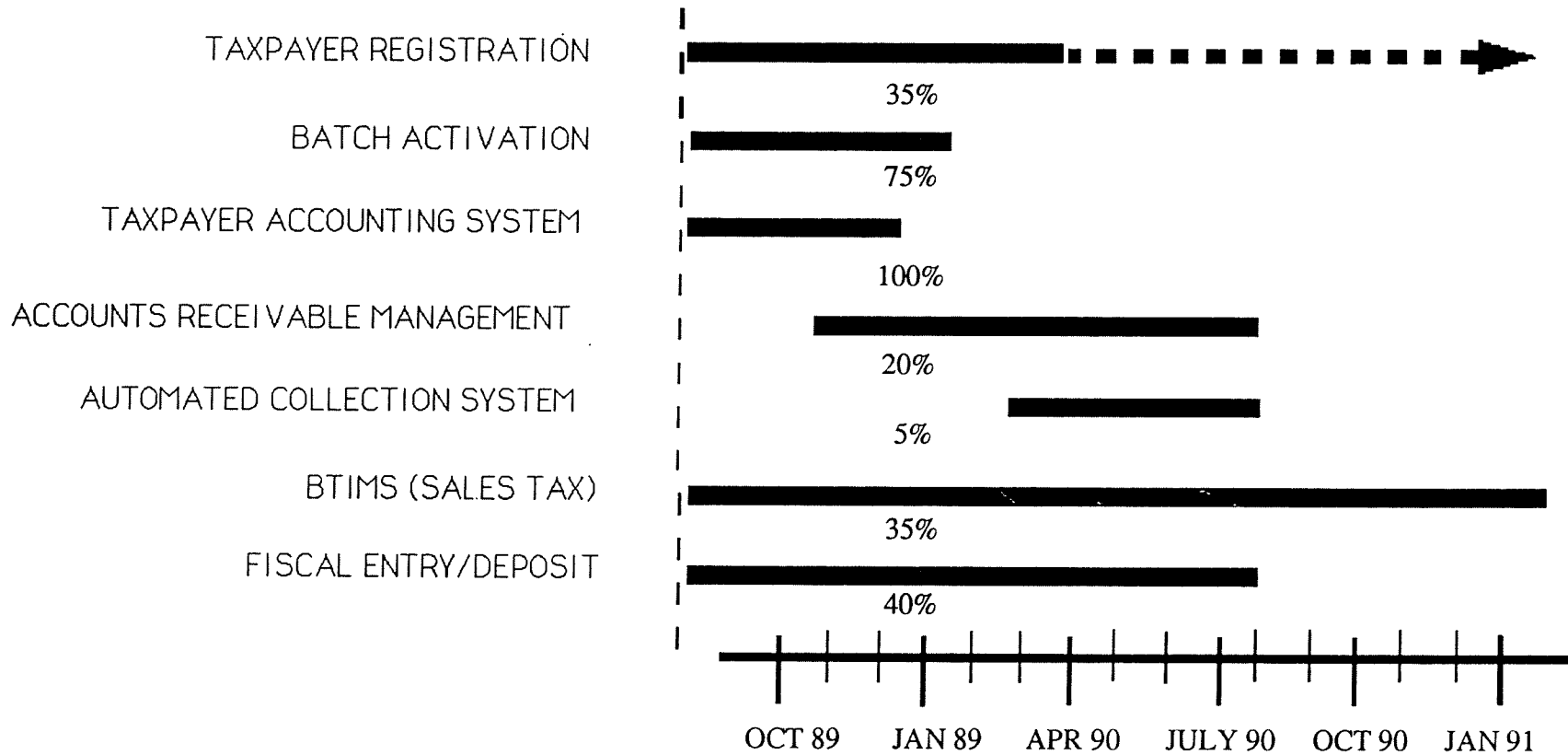
# REVENUE REPORT

## Consolidated Tax Processing Systems

The Kansas Department of Revenue



Project Schedule - % Completion

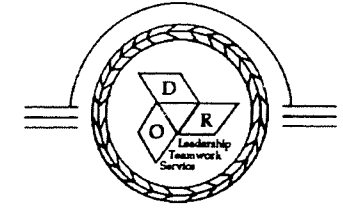


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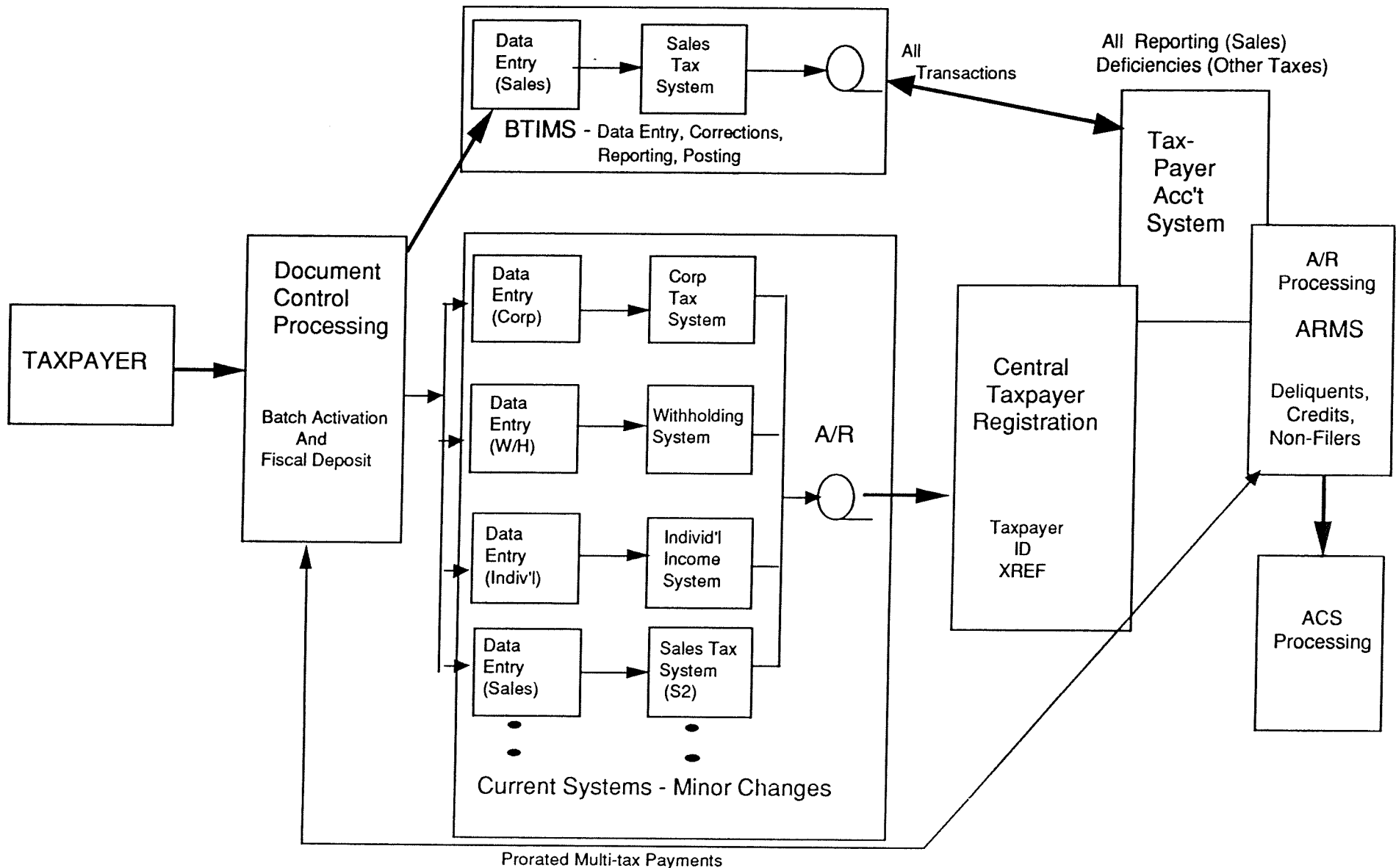


# REVENUE REPORT

## Taxpayer Information Processing Flow



The Kansas Department of Revenue



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