

ARIZONA DEPARTMENT OF REVENUE

Jumping into Lean – First Steps

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Lean : A waste of time?



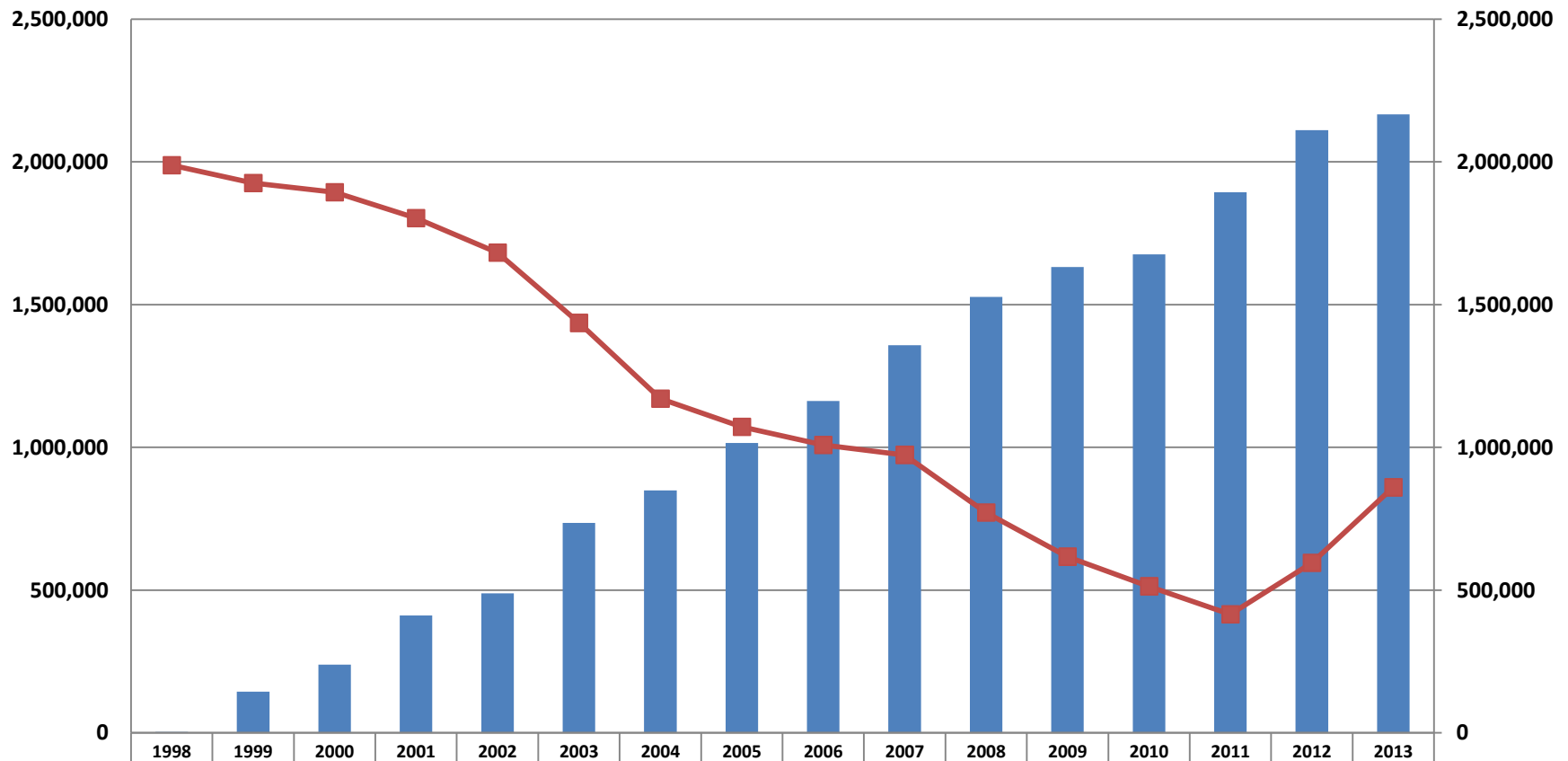
Some background on the AZ Department of Revenue:

Number of Returns Processed / Gross Revenues

| FY2013 | TPT | Individual Income | Corporate Income | Withholding | Total |
|--------------------|----------------|-------------------|------------------|----------------|-----------------|
| Paper | 1,290,424 | 859,798 | 186,651 | 312,972 | 2,649,845 |
| E-File | 359,563 | 2,167,069 | N/A | 297,661 | 2,824,293 |
| Total Returns | 1,649,987 | 3,026,867 | 186,651 | 610,633 | 5,474,138 |
| | ***** | | ***** | | ***** |
| Revenues | \$7.71 Billion | \$1.17 Billion | \$755 Million | \$3.46 Billion | \$13.10 Billion |
| Payments Processed | 4,175,656 | | | | |

More Individual Income Taxpayers are taking advantage of E-Filing Opportunities

Individual Income E-Filed Returns vs. Keyed Paper Returns, Processing Years 1998 - 2013



| | | | | | | | | | | | | | | | | |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| E-File | 3,457 | 143,843 | 238,505 | 410,665 | 488,472 | 735,620 | 848,638 | 1,015,5 | 1,161,9 | 1,357,7 | 1,526,9 | 1,631,9 | 1,676,1 | 1,894,0 | 2,111,5 | 2,167,0 |
| Keyed Paper | 1,988,5 | 1,926,2 | 1,894,0 | 1,803,3 | 1,682,2 | 1,436,0 | 1,170,3 | 1,071,7 | 1,008,5 | 973,375 | 771,758 | 616,656 | 513,146 | 414,940 | 595,395 | 859,798 |

Our Story...

- Too much work and too few staff – sound familiar?
- We have never fully recovered from the budget cuts during '08, '09 and '10
- High Volumes/Still lots of paper
- Paper pushing across multiple floors of our building
- 2012: AZ Government Transformation Office established by Executive Order
 - Focus on Lean Methodology
 - Not like “all those other efficiency programs from

Getting Started with Lean

- Picked one, single process to focus on – 2D Bar code individual income tax returns with no money
- Identified some heavy lifters from each area: Staging, Processing, Data Entry, Remittance and Records Management
- Kicked-off with Training:
 - ▣ Ice Breaker/Processing Dots
- 6 two hour sessions over 8 weeks
 - ▣ Current Process
 - ▣ Reinvent the Process

Duplicated Efforts...

| 2D BARCODE PROCESSING | | | |
|--|---|---|--|
| DOCUMENT STAGING | PROCESSING (NO trouble) | REMITTANCE | DATA ENTRY |
| Mail | Bundled, Batched Returns | Bundled, Batched Returns | Bundled, Batched Returns |
| Get tray of mail | Remove the rubber bands | Check Rec'v Date with stamp on first document in batch | Verify no writing in Name, Address, SSN, Routing # or Account |
| Verify the mail tray card is taped to the tray and has the tray count, date and size | Place DCL label to side | Check PM Date on first envelope | Remove the rubber bands |
| Make sure mail has been top slit | Review for complete Name, Address, SSN | Extension box (82F) checked | Place DCL label to side |
| Open envelope on all sides | Extension box (82F) checked | Validate legal line of check matches owed amount | Get a 2-D no money batch ticket |
| Remove Staples - 90% of the time | Validate the check amount matches owed amount | Verify no writing in Name, Address, SSN, Routing # or Account | |
| Identify form number - sort documents accordingly | Verify current year, separate prior years | | Data Entry - 2D Barcode NO Money system |
| Review for complete Name, Address, SSN | Verify no writing in Name, Address, SSN, Routing # or Account | Data Entry - TMS system | Open the 2D barcode system |
| Extension box (82F) checked | NOT Timely - stamp PM date | Open TMS for data entry and check scanning | Key the batch number |
| Barcode present | | 1. Enter Month and Year if same year in the batch | Enter the Rec'v Date |
| Money owed - check included? | BATCHING -- MONEY | Leave Month and Year blank if mixed year batch | Select Refund or Pay Batch |
| Validate the check amount matches owed amount | Go get a 2-D money batch ticket | 2. Key SSN twice | Scan each document |
| Money owed - check NOT included - change to \$0 | Count documents | 3. Key period ending if mixed year batch | If late or mixed batch enter the PM date for each document |
| Verify current year, separate prior years | Complete the ticket - # in batch, PM date, Rec'v date, initials | 4. Key PM date printed on document | Insert the document into the slip machine for serializing. |
| W-2 attached | Paperclip first check | 5. Key the check amount | If barcode errors because it is unreadable - Scan the unscannable barcode. Do NOT serialize. <i>Set aside for Processing to send for imaging. Key the data from the image.</i> |
| Form 131 - Deceased attached | Staple the bottom batch ticket to the folder | 6. Place check in the scanner and scan | If barcode errors due to 'Internal Error' message - Enter the Vendor ID, Form type and Year. Do NOT serialize. <i>Set aside for Processing to send for imaging. Key the data from the image.</i> |
| Additional forms attached | Log the batch number in the Excel spreadsheet | 7. Verify check image is correct | If any writing on form - Scan the unscannable barcode. Do NOT serialize. <i>Set aside for Processing to send for imaging. Key the data from the image.</i> |
| Verify no writing in Name, Address, SSN, Routing #, Account - send to Processing | Log the batch number in the Physical Batch Tracker | 8. Repeat 2-7 for remainder of the batch | Listen for the beep after scan and check the screen info. |
| Barcode NOT readable - send to Processing | | 9. Close the batch once complete | Hit 'Stop Scan' at the end of the batch, prompted by system. |
| = Duplicated task | | | |

Implementation

- Meeting with Administrators and Supervisors (more about this later)
- Prepared Written Procedures
- Moved Equipment
- Picked a date and implemented!
 - ▣ Total time elapsed from first meeting to implementation was 2.5 months

Immediate Improvements

- Former Process – 3.16 days; New Process - .9 days (time from receipt to posting to taxpayer account)
- Former Process – “Push Paper” 734 feet; New Process – “Push Paper” 312 feet
- Former Process – 35 seconds; New Process 27 seconds (time required to open mail/prep doc)
- Former Process – 8 FTE; New Process – 4 FTE (staff resources required to perform the work)

Bring on more processes!

- Move on to 2D Bar Code with money
- TPT (Sales Tax) Returns
- Other Processes in Tax Return Processing Unit
- In the meantime...
 - ▣ GTO Training and guided sample process improvement
 - ▣ Train the Trainer

What did we learn?

- Involve the people who do the work
- Empowerment and Owning the Process
- Less Paper Pushing; Reduced Travel Distance is key
- Keep your eye on the tax payer
- Middle Managers might struggle with this
- Transition may be tricky – parallel processes



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“The Staple Story”

