



INDIANA DEPARTMENT OF REVENUE

Eric J. Holcomb, Governor
Bob Grennes, Commissioner

Indiana Government Center
100 N. Senate Ave
Indianapolis, IN 46204-2253

August 22, 2022

Mr. Zachary Jackson
State Budget Director
Indiana State Budget Agency
200 W. Washington St., Suite 212
Indianapolis, IN 46204

Director Jackson,

In conjunction with the submission of DOR's FY 2024/25 biennium budget, we are pleased to provide this agency overview transmittal letter. As summarized in the business function overviews, the biennium funding requested will support DOR's critical work to administer Indiana's tax laws fairly, securely, and efficiently. It will also support our delivery of high quality and continually improving services to all the Hoosiers and organizations that count on us.

Agency Overview

The Indiana Department of Revenue (DOR) is comprised of nearly 700 dedicated public servants in 13 locations throughout the state. Our mission is to serve Indiana by administering Indiana's tax laws in a fair, secure, and efficient manner. DOR's highly specialized team of professionals skillfully do just that for more than 65 active Indiana tax types. At our very core, DOR is a service agency, and we proudly serve millions of individuals, businesses, corporations, partners, and organizations that are part of Indiana's tax system.

The DOR team annually processes millions of tax returns and payments, hundreds of thousands of pieces of correspondence, serves customers across the state via phone, correspondence, secure messaging, and walk-in, completes thousands of diverse audits, addresses taxpayer protests, handles all tax policy and legal responsibilities, and manages all systems and operations that support the agency's operations.

A brief description of DOR's business functions begins on page 3.

You can also read additional detail about DOR's business functions and services in our annual reports (published on DOR's website).

Key Accomplishments Over the Last Two Years

The last two years have required herculean efforts by the DOR team to effectively operate this very complex agency during the pandemic and all the unprecedented changes and challenges it presented. We are extremely proud to report that throughout this very challenging two years, the DOR team found a way to manage our responsibilities, provide high levels of service, and keep key innovation projects, including Project NextDOR, on schedule. The team stayed passionately committed to our mission, leaned on our award-winning culture, and lived our core values to always find a way to professionally and skillfully meet our responsibilities. Key accomplishments include:

- Successful management of all agency operations to administer Indiana’s 65 tax types and effectively and accurately process over \$24 billion of tax revenue in FY21 and over \$27 billion in FY22
- Completion of the extended, modified, and pandemic-impacted Individual Income Tax Season in calendar year 2021
- Effective operation of our cybersecurity, ID protection and refund fraud prevention programs, stopping over \$11 million of attempted refund fraud in FY21 and over \$9 million in FY22
- Implementation of audit/compliance enhancements that included net operating loss, refund, business tax, and transfer pricing capability and performance improvements
- Successful implementation of all business taxes in the new Indiana Tax System (Project NextDOR) in 2020; individual taxes, fraud prevention, and ID protection in 2021; and special taxes in 2022
- Successful implementation of a new state-of-the-art Motor Carrier Services permitting system and modernized registration system (IRP)
- Recognition from the IndyStar as a 2021 and 2022 Top Workplace and by Energage as a Top Workplace USA in both 2021 and 2022
- Recognition from the Federation of Tax Administrators (FTA) with a 2021 FTA Award recognizing our continued commitment to employee communication and engagement during the COVID-19 pandemic and our execution of employee training and skill development
- Advancement of key internal control, internal audit, compliance, continuous improvement, and employee skill development capabilities
- In concert with Governor Holcomb, Indiana’s General Assembly, and the Auditor of State, the planning, design, and first stages of issuance of the 2022 Automatic Taxpayer Refund

Challenges Over the Last Two Years

The last two years presented unprecedented challenges for all agencies that required unwavering focus and commitment, enhanced communication, teamwork, collaboration, and tireless contributions from a broad range of individuals and organizations. It also required patience, creative thinking and problem solving, and openness to change. Key challenges that were tackled during this period include:

1. Handling all tax program changes associated with state and federal pandemic relief.
2. Continuing agency operations during the COVID emergency.
3. Meeting the agency 15% budget reduction requirement.
4. Dealing with personnel challenges related to COVID, remote work, and the great resignation.
5. Keeping Project NextDOR and all other DOR projects on schedule and on budget.
6. Maintaining agency operations and services while dealing with staff absences and vacancies.
7. Accelerated retirements and resignations.
8. Talent retention and acquisition in a challenging and very competitive employment market.

Project NextDOR

I want to bring special attention to DOR’s modernization project, **Project NextDOR**, a 5+ year agency-wide modernization project initiated in 2017. This project upgraded all DOR’s tax processing computer systems, interfaces, and service delivery processes. It replaced 25-year-old legacy systems and introduced new services to internal and external users and customers. It required unwavering focus and commitment, steadfast support and collaboration, and tireless contributions from a broad range of individuals and organizations. It was an extremely large and complex high-risk/high-reward project.

NextDOR was designed to modernize DOR’s technology platform, close internal control gaps, improve internal efficiencies, enhance payment services and revenue processing, and improve customer service. It impacted every part of DOR, every DOR employee, every partner we work with, and every customer we serve. We set aggressive deliverable goals and deadlines and we committed to holding ourselves accountable to the high expectations of our team, customers, stakeholders, and supporters.

This project hit every deliverable and every milestone. It has been on schedule and on budget for five straight years. We have achieved this success due to the unwavering support of Governor Holcomb and his team, the General Assembly, and our partner agencies including Indiana’s Office of Management & Budget, State Budget Agency, Office of Technology, and Department of Administration.

Project NextDOR has been a tremendous success for DOR, Indiana taxpayers, the tax practitioner community, and every organization and individual who is involved in Indiana’s tax administration world. We conclude the project in the fall of 2022, and we are confident we have established a strong foundation of success for many years to come.

DOR ORGANIZATION AND BUSINESS UNIT SUMMARIES

DOR is organized into several divisions. Refer to the organizational chart in Exhibit A for further detail. A brief description of each of the divisions and sections are as follows:

SERVICE OPERATIONS DIVISION

- **Returns Processing Operations (RPO)** is dedicated to the efficient and high-quality processing of all paper tax returns, correspondence, incoming mail and check payments. This team also handles individual tax processing and special processing functions including titles, tax clearances, bankruptcy, utility exemptions and special refunds.
- **Special Tax** is responsible for administering 25 special taxes and fees to a diverse group of individuals and businesses across a variety of industries. These unique tax types generate over 60,000 transactions and account for approximately 12% of all tax revenues annually collected by DOR. At the top of the list of this team’s responsibilities is the administration of fuel, tobacco, and alcohol excise taxes.
- **Customer Service** serves from 12 locations across the state and operates DOR’s walk-in centers, call center operations, automated voice response systems, correspondence processing operations, secure messaging, and payment services. This team also provides specialized support for the tax practitioner community as well as INTIME, DOR’s new e-services portal. In addition to customer-facing Customer Service Representatives, this team also includes multiple support functions that contribute to our best-in-class service operations, including training, quality assurance, research and data analysis, and team communications.
- **Taxpayer Advocate** is a specialized team who research and address complex tax issues and provide specialized taxpayer services. This team fulfills the legislatively mandated taxpayer advocate responsibilities, works with individuals undergoing financial hardships and acts as the agency’s liaison with senior DOR and government officials.

AUDIT OPERATIONS DIVISION

- **Audit Operations** is comprised of audit professionals located in Indianapolis, DOR’s 11 District Offices and select locations across the nation. This group of highly educated, trained, and experienced tax auditors is responsible for conducting audits for Indiana individual, corporate, and business taxes and for supporting staff across the agency. This team also provides specialized support for highly complex areas of taxation including Transfer Pricing and Research Expense Credits.
- **Audit Support** is comprised of specialists who operate a diverse set of key support functions for DOR’s Audit Operations. These support functions include audit selection, statistical sampling, audit quality assurance, audit training, audit billing, and audit protest support – all designed and operated to improve taxpayer compliance and the quality, efficiency, and overall results of DOR tax audits.

AGENCY & BUSINESS SYSTEMS SUPPORT DIVISION

- **Business Systems Support** provides the agency with a variety of process analysis, project management, problem research/resolution and business process improvement services. This team includes Enterprise Project Management Office (ePMO), Operations Improvement, tax form management, and internal and external web management. This team helps DOR management and staff identify, research, design and implement business processes and system improvements in delivering both short and long-term improvements.
- The **Organizational Development & Communications** team provides a variety of agency support services including training, organizational development, internal and external communications, media relations, social media management, agency initiative management, and community outreach and education. This team represents DOR in a variety of settings to enhance the performance, engagement and retention of DOR’s leaders and staff.
- The **Internal Audit** team works under the direction and oversight of DOR’s Audit Committee to provide independent, objective assurance and consulting services to examine and evaluate DOR’s activities. This team works collaboratively with DOR leadership and the Internal Controls team to accomplish DOR’s objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, operations, and governance processes.
- The **Investigations and Internal Affairs** team works with DOR staff and partner agencies to improve fraud prevention and tax compliance through forensic audit, investigations, and fraudulent tax filing prosecution. This team also stewards internal agency policy compliance and safety activities.

- The **Data Governance and Analytics** team provides DOR with data governance, reporting, and analytics support. This team assists DOR leadership with insights for effective management decisions, operational metric tracking, trend analysis and process analytics.
- The **Individual and Business Tax Compliance** teams operate and continuously improve DOR’s refund fraud prevention, ID protection, and compliance programs. These teams work with customers, revenue agencies, the IRS, and industry organizations to improve tax compliance and identify and proactively address fraud and tax compliance schemes.
- **Corporate and Trust Tax Operations** is a specialized team of auditors and tax specialists who analyze, and process returns to ensure accuracy and compliance with the Indiana tax code and provide best-in-class customer service to all corporate customers via phone and messaging. The team also manages business registrations and business closures.

FINANCE DIVISION

- The **Finance Team** manages all budgeting and accounting, payroll, procurement, internal controls, financial planning, and revenue analysis for the agency. This team provides accurate, decision-useful financial insight and reporting, management, accounting for tax revenues in accordance with tax laws, safeguarding public assets and supporting strategic, fiscally responsible DOR spending in a manner benefiting Indiana.
- **Tax Liability Management** works closely with Indiana County Clerks, Sheriffs, DOR’s collection agency, and all DOR divisions to manage, and improve, tax compliance and collection activities. This team also works collaboratively with Customer Service, Taxpayer Advocate and tax practitioners to research and resolve customer account issues that are in various stages of collections.

INFORMATION TECHNOLOGY DIVISION

- **Integrated Tax System Modernization (Project NextDOR)** has been active for over five years, leading the agency-wide project to upgrade and modernize DOR’s business processes and technologies. While Project NextDOR is coming to a close in the fall of 2022, portions of this team will continue to maintain and enhance the ITS platform.

- **ITS Production Support** consists of technology and business specialists supporting DOR’s new integrated tax system (ITS) and e-Services portal INTIME. This team works with the system vendor FAST, DOR business leaders, and ITD staff to design, prioritize, code, test, and implement all system fixes, enhancements, legislative changes, security patches, and vendor upgrades.
- **Motor Carrier Services ITD** is dedicated to supporting all systems that help administer the commercial use of Indiana’s roads. This team ensures that system needs and enhancements driven by legislation, IRP and IFTA mandates, and beyond are effectively implemented. MCS ITD also partners with vendors to support product changes and designs and develops motor carrier functions under its best-in-class, one-stop shop system.
- **Systems Development** consists of technology specialists supporting, maintaining, and enhancing non-ITS systems including returns processing and various business support systems.
- **Security Office** is charged with DOR cyber and data security, developing security policy and guidance, implementing technical security, crafting data and system security training, monitoring systems for anomalous activities, planning and executing IRS safeguard audit actions, and DOR’s continuity of operations/disaster recovery/incident response programs.
- **Technical Operations Support** supports all DOR technology systems and users, manages agency hardware and software, the information flow and relationships DOR IT has with internal DOR customers and external partners. This includes workstation support, the IOT partnership, Incident Management, Database Administration, Imaging Support, Configuration/Release Management, and the Internal DOR Service Desk.

LEGAL DIVISION

- The **Tax Policy** team interprets, compiles and disseminates tax law guidance, policies, and procedures to internal staff, DOR customers, practitioners, county officials, state legislators, other state agencies and members of Governor Holcomb’s administration. This team also serves as DOR’s liaison to the Indiana General Assembly and key external organizations (e.g., Indiana Chamber, CPA Society), attends and testifies before legislative committees, and assists OMB, the Governor’s Office and the Legislative Services Agency in the evaluation of legislation, tax administration actions, and fiscal impact statements of proposed legislation.
- The **Appeals** team is responsible for designing, operating and managing DOR’s tax protest process - providing taxpayers with an independent administrative review of

proposed tax assessments and refund requests, and producing written determinations for taxpayer protests which are later published in the Indiana Register.

- The **Litigation** team manages DOR’s litigation in Tax Court and in other courts, and it formally appears in bankruptcy cases where DOR is a creditor. It also leads the development of DOR’s settlement positions and the conduct of settlement negotiations through all aspects of the Legal Division’s interactions with taxpayers.
- The **Compliance and Ethics** team provides guidance intended to help teammates understand and apply the laws and regulations that guide day-to-day business operations. Grounded in the core values of integrity, teamwork, and continuous improvement, they resolve compliance issues; assess and advance the effectiveness of existing policies and procedures; and manage DOR's confidential reporting hotline.
- The **Legal Services** team provides support and advice to DOR’s Commissioner, executive staff, and agency staff on a wide variety of legal matters, regulatory and statutory interpretation, and other advisory matters. This includes developing contracts and MOUs, responding to public records requests, advising DOR’s Motor Carrier team, and administering DOR’s secondary review process.
- The **Legal Operations** team provides invaluable support to all areas of the legal division. Legal Ops creates and maintains all incoming protests, conducts an extensive amount of research for our Hearing Officers, implements final determinations once issued, and actively manages all updates and adjustments needed within the Indiana Tax System.

MOTOR CARRIER SERVICES

- **Motor Carrier Services (MCS)** is a specialized business unit within DOR providing support to motor carrier companies, commercial drivers, and third-party entities in Indiana and across North America. This includes the administration of state and federal laws that govern motor carriers for Indiana’s roads. MCS is comprised of five distinct departments including: (IFTA) International Fuel Tax Agreement, (IRP) International Registration Plan, Titles, oversize/overweight vehicle permitting, (IOA) Indiana Operating Authority, which includes UCR (unified carrier registration) and various safety and licensing programs

REQUESTED FUNDING FOR PROGRAM INVESTMENTS

DOR Proposes the Program Investments Below:

1. Fund three full-time dedicated internal audit staff and an internal control software. DOR's existing internal audit function is being performed by a third party, independent accounting firm. The requested funding represents a significant savings versus our existing contract. This request will help us comply with the provisions of Indiana Code 5-11-1-28 and Financial Management Circulars 6.2 and 6.3.
2. Fund fifteen full-time dedicated Motor Carrier Services (MCS) staff and \$390,000 for IT contractor support. The MCS division has experienced a significant increase in customer volumes ranging from 8 – 134 percent. The additional staff will help support customer service across all MCS business lines, which will improve service quality, reduce wait times, and reduce work item backlogs. Additionally, MCS has a need to continue to modernize its operations and IT platforms. This request will help us continue to be the nation's leading provider of motor carrier services.
3. Funding to support the continuation of our pilot call center augmentation project. DOR experiences a large spike in the number of calls during tax season, which runs from January until May each year. DOR has historically been unable to keep up with the volume of calls during the peak season, due to resource limitations, and has had to deflect calls. Our goal in using a vendor for call augmentation is to supplement and diversify our staffing throughout the calendar year. To address the service gap noted above and reduce deflections, we plan to have our vendor pick up approximately one-third of our annual call volume across three service lines: payment plans, ID verification, and Individual tax.

CLOSING

DOR is comprised of dedicated public servants who pour themselves into the important work performed every day to meet the agency's responsibilities and provide high levels of service to Hoosier taxpayers. There is a very special servant spirit across DOR, and the team is committed to continue being a high-performing and award-winning organization.

Thank you for your consideration of DOR's FY 2024/25 Biennium Budget request. With your support, the DOR team is confident to continue on the wonderful path the agency is on and continue to make the Governor and all of Team Indiana proud.

Respectfully,

A handwritten signature in cursive script that reads "Robert J. Grennes, Jr.".

Robert J. Grennes, Jr.
Commissioner
Indiana Department of Revenue

INDIANA DEPARTMENT OF REVENUE

Executive Team



Bob Grennes
Commissioner

Jane Graham
Executive Assistant

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