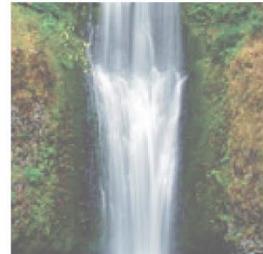




Secretary of State Oregon Audits Division



Department of Revenue

Enhancing Organizational Culture and Addressing Customer Service Challenges Will Optimize Agency Performance

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Secretary of State Audit Highlights

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Report Highlights

Organizational culture is key to shaping how members interact with each other and how they achieve their mission and objectives. However, organizational culture in an organization, such as the Department of Revenue (DOR), can be difficult to assess or change. Both DOR staff and management have identified a desire to shift toward a more collaborative agency culture and share perspectives on how culture can be enhanced to meet employees' needs. DOR leadership makes decisions regarding agency operations; this report provides information that can help inform some of those decisions. DOR leadership has been engaged with the audit and acknowledged that enhancing the culture is a good opportunity within the agency.

Background

DOR has undergone tremendous change in the last five years. This includes several changes in leadership positions, including the director, and implementation of a critical and expansive information technology system. These significant governance and operational changes affected both internal and external stakeholders. For example, DOR's customer service rating decreased dramatically, drawing the attention of the Legislature in 2017. We utilized a specialized methodology to assess how enhancing culture could help optimize the agency's performance. The DOR director has been supportive of our methodology and appears committed to enhancing the agency's culture.

Purpose

The purpose of this audit was to determine how changes to DOR's culture could improve agency performance and to identify factors for the decline in customer service satisfaction from 2013 through 2016 that can be addressed to enhance customer service moving forward.

Key Findings

1. Opportunities exist to enhance DOR's operating culture and employee morale. Specifically, DOR management should develop a formal strategy and take action to better incorporate collaborative values within the agency. The strategy should include robust internal communications, an effective accountability framework, a collaborative feedback process, and improved workplace interactions.
2. The agency's customer satisfaction declined between 2013 and 2016. A portion of this decrease was due to implementation of a critical and complex system known as GenTax. DOR has already identified and addressed a number of customer service deficiencies; as a result, customer service ratings increased in 2017 and 2018. DOR should complete efforts underway to address these challenges.

Recommendations

We made five recommendations to DOR for actions needed to improve its organizational culture and customer satisfaction. DOR agreed with all of our recommendations. The agency's response can be found at the end of the report.

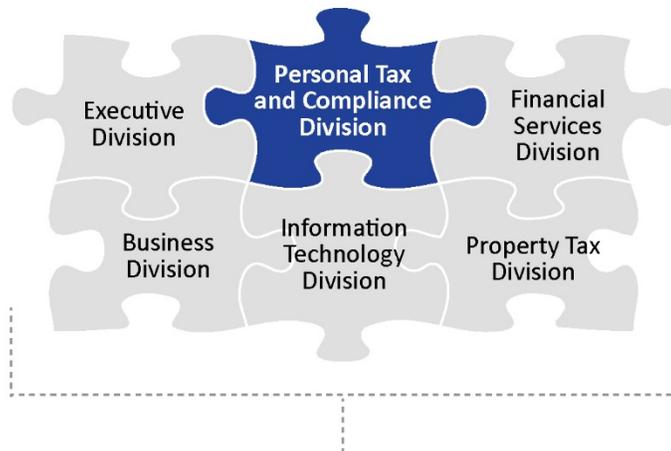
Introduction

The Department of Revenue (DOR) serves millions of Oregonians each year by collecting taxes and fees that fund the majority of public services in the state. Total revenue collected by the agency for the 2017-19 biennium is projected at \$20.7 billion. Ninety percent of this revenue is transferred to the General Fund.

Part of DOR's mission is to preserve and enhance the quality of life for all Oregonians through its work, which includes providing clear, accurate, and timely information and services that yield a positive customer experience.

The purpose of this audit was to determine how changes to DOR's culture could improve agency performance and to identify factors for the decline in customer service satisfaction from 2013 through 2016 that can be addressed to enhance customer service moving forward. Our audit work determined DOR can take action to enhance both the agency's culture and customer satisfaction.

Department of Revenue



This audit of agency culture affects all divisions within the department. The majority of the agency's customer service is handled by the highlighted division.

DOR serves a critical function and has experienced significant personnel and operational changes in recent years

DOR administers Oregon tax programs and collects delinquent debt

DOR administers nearly 40 tax programs, including the state's personal income tax, corporation excise tax, and property tax. DOR employees¹ are responsible for performing a number of tasks such as processing returns, assisting and educating taxpayers, collecting delinquent debts, and enforcing filing requirements. DOR also collects and distributes taxes and fees for other state agencies and local governments. These include 911 emergency communications tax, transit district tax, marijuana tax, and court fines and fees.

DOR's legislatively adopted budget for 2017-19 was \$313 million and includes 933 full time equivalent staff. The agency has three major external service divisions: Property Tax, Personal

¹ "Employees" in this report refers to all DOR staff, including line staff and different levels of management.

Income Tax and Compliance, and Business Tax. Six district offices are located in different parts the state.

Figure 1: DOR has three major external service divisions

Divisions	Description
Property Tax	Administers the statewide property tax system through partnerships with Oregon’s 36 counties; directly administers timber and forestland programs, senior citizen property tax deferral, and nonprofit housing for the elderly.
Personal Income Tax and Compliance	Directs and manages the state’s personal income tax program, including tax policy, collection, audit, and filing enforcement functions. This division also handles the majority of the agency’s customer service work.
Business Tax	Performs collection, audit, filing enforcement, and tax policy functions for corporations, partnerships, and entities other than individuals for income taxes. It also administers tax programs such as recreational marijuana, statewide transit tax, and the state lodging tax, as well as collecting fees such as the petroleum load fee and hazardous substance fee.

Source: DOR 2019-2021 Agency Requested Budget.

DOR has experienced significant leadership and operational changes in recent years

After 15 years under the same director, DOR had three different directors or interim directors between December 2015 and October 2016. The current director has been in the position for approximately two years. The leadership team has also changed in recent years.² Seven of the 11 members of the leadership team have been in their positions for three years or less; four of the seven started in 2018. The current leadership’s priorities include stabilizing the agency after all the changes and events in the recent years, implementing an agencywide accountability system, and rebuilding DOR’s credibility.

In addition to high rates of executive management turnover, the department experienced a substantive operational change in 2013 when DOR began implementing GenTax, a web-based, commercial, off-the-shelf tax processing software. DOR implemented GenTax in four major rollouts, with the fourth rollout completed in November 2017. GenTax replaced most of DOR’s legacy core systems dating back to the 1980s and significantly changed some of the processes that existed in the agency for decades. For example, some staff’s job descriptions changed or went away and some staff had to shift their work duties to accommodate changes in the new tax processing system. In February 2018, our office issued an information technology audit examining the GenTax system that concluded the system accurately processes tax returns and payments.³

Legislative budget notes required a top-to-bottom assessment of DOR

As DOR was going through changes in leadership and implementing the new GenTax system, its customer service key performance measure started to decline.⁴ Specifically, the overall customer satisfaction rate went from 79% in 2013 to 13% in 2016. This drop, as well as communication

² The leadership team includes the director, deputy director, and division administrators.

³ Audit Report no. 2018-08, [“Oregon Department of Revenue: GenTax Accurately Processes Tax Returns and Payments, but Logical Access and Disaster Recovery Procedures Need Improvement.”](#)

⁴ Key performance measures are one way the Legislature monitors an agency’s performance. This key performance measure depicts the percent of customers rating satisfaction with DOR’s customer service as “good” or “excellent” based on overall experience, timeliness, accuracy, helpfulness, expertise, and availability of information.

issues that arose during DOR’s appearances at legislative hearings in 2017, caused concern among some legislators about the agency’s financial management, personnel practices, and poor customer service.

These concerns led to nine adopted budget notes in the 2017 legislative session directing DOR to undergo several reviews by different entities, including the Secretary of State Audits Division. The reviews included a comprehensive external audit, an outcome-based management assessment by a private firm, a comprehensive review of personnel practices and legislatively authorized positions, and a self-assessment to identify deficiencies in the delivery of taxpayer assistance. As of October 30, 2018, DOR had completed its response to six of the nine budget notes.

Our office conducted a separate review of DOR’s Core System Replacement (CSR) called for in one of the nine budget notes.⁵ Part of this review was to determine, among other things, the appropriate use of bond funds, appropriate use of General Fund monies, and if the contract with the vendor that implemented CSR met legal sufficiency requirements. The review concluded DOR’s expenditures were documented and consistent with the purpose of the bond sales, General Fund expenditures were reasonable and appropriate for the purpose of the CSR project, and contract and amendments with the CSR vendor met legal sufficiency.

Auditing organizational culture is a relatively new and emerging area, requiring a specialized methodology to draw conclusions

While auditors often emphasize the importance of the organizational governance concept of “tone at the top,” auditing organizational culture is a relatively new concept. Organizational cultures drive performance. However, it is challenging to define culture, let alone quantify, measure, or audit it. To conduct a performance audit of organizational culture at DOR, the audit team deployed a generally accepted social science tool that has been used at thousands of organizations worldwide to enhance performance, but never before within an auditing context.

Organizational culture entails the values, beliefs, and behavioral norms of organizational members and affects performance

Organizational culture has several definitions. For the purpose of this audit, organizational culture is defined as basic assumptions and beliefs that are shared by members of an organization.

Most successful companies have one thing in common that separates them from their competitors — their distinct organizational culture. Research indicates the sustained success of these organizations has more to do with their values, beliefs, and vision, rather than their market forces, competitive positioning, or resource advantage.⁶

Organizational culture determines performance across different organizations in both the public and private sectors. Organizations with strong values can increase their performance compared to those without. As an example, organizations see their productivity and effectiveness in the form of profits, revenues, job satisfaction, quality, customer service, organizational commitment, performance, and a reduction in the number of errors.⁷

⁵ Management Letter no. 150-2018-11-01, [“Review of Core System Replacement project.”](#)

⁶ Kim S. Cameron and Robert E. Quinn, *Diagnosing and Changing Organizational Culture Based on the Competing Values Framework* (California: Jossey-Bass, 2006), 4

⁷ Marcella Bremer, “What is Culture and Why Does it Matter?” in *Developing a Positive Culture where People and Performance Thrive* (Melbourne, Florida: Motivational Press, Inc., 2018), 20

Organizations have different options to enhance performance. Some of the most common organizational change initiatives are total quality management, downsizing, and reengineering. These initiatives are intended to improve productivity, efficiency, competitiveness, and effectiveness of organizations. Research, however, shows these initiatives often fail because they are not accompanied by a fundamental change in organizational culture. Organizations may have the tools and techniques and the change strategy may have been implemented with vigor, but efforts for improvement fail because the values, ways of thinking, and managerial styles remain the same.

The Organizational Culture Assessment Instrument helps to identify current and preferred culture traits for organizations

Key Dimensions of Organizational Culture

1. Dominant characteristics of the organization
2. Leadership style
3. Management of employees
4. Organizational glue that holds the organization together
5. Strategic emphasis
6. Criteria of success

Source: Organizational Culture Assessment Instrument

We used the Organizational Culture Assessment Instrument (OCAI) for this audit. OCAI is a survey tool created by two professors from the University of Michigan that is used to assess six key dimensions of organizational culture. More than 10,000 organizations worldwide have used this tool.

The tool uses a points system and averages based on survey responses to produce a culture profile showing the difference between the current culture — the fundamental assumptions on which an organization operates and the values that characterize them — and the preferred culture. The creators assert that addressing this difference in the culture will result in improved employee and organizational performance.

The OCAI is a descriptive model and does not make a value judgment on one culture over another. Similarly, there are no right or wrong answers to the survey questions, as there is no right or wrong culture according to this framework. Furthermore, as culture is more of an abstract concept than a tangible metric, assessing or auditing it can be difficult; any tool that attempts to do

so will necessarily have its limitations. Our audit findings should be viewed within this context.

There are several tools to assess organizational culture, but the OCAI is useful and accurate in both diagnosing important aspects of an organization’s underlying culture and predicting organizational performance. Sufficient evidence has been produced to confirm the reliability and the validity of the OCAI and researchers are confident the tool matches or exceeds the reliability of the most commonly used instruments in the social and organizational sciences. Empirical evidence also show the OCAI is valid — that is, it measures what it claims to measure, which are the key dimensions of organizational culture that significantly impact organizations and individual behaviors.

The OCAI identifies the current and preferred culture according to four culture types:

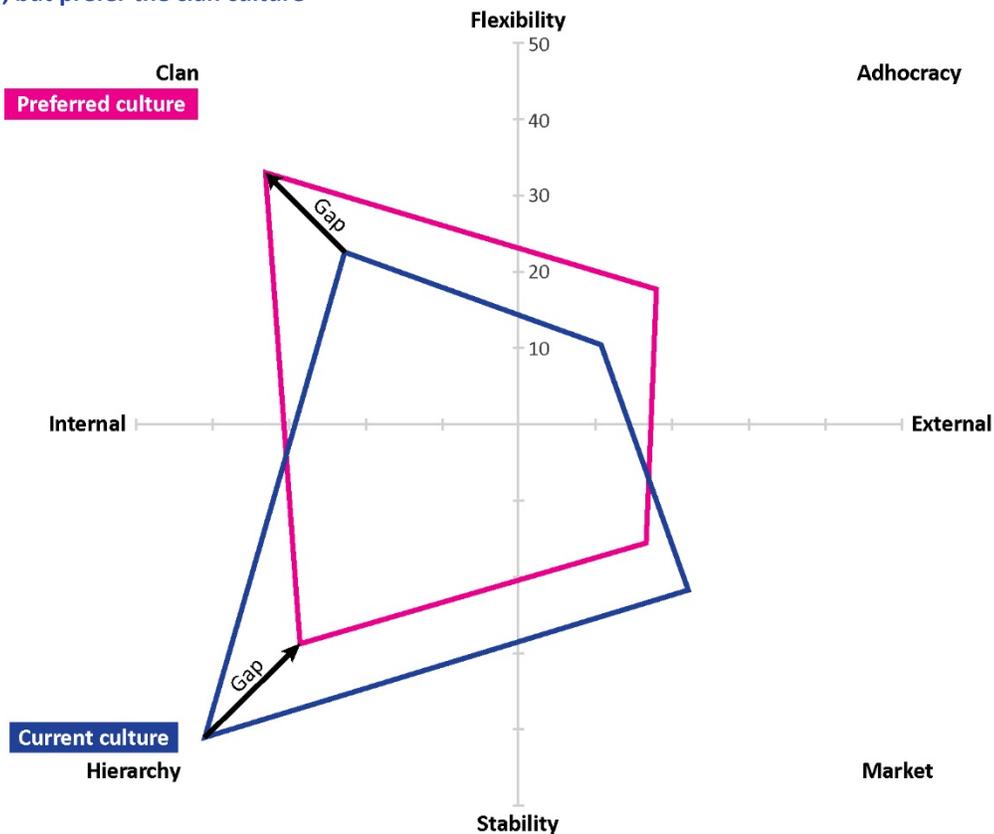
- **Clan:** A friendly place to work where people share a lot of themselves. Leaders are mentors. The organization emphasizes the long-term benefit of human resources development and morale is important. The organization also emphasizes teamwork and participation. The verb that is often used to identify this culture type is collaborate.
- **Adhocracy:** A dynamic, entrepreneurial, and creative place to work. Leaders are innovators and risk takers. The organization encourages individual initiatives and freedom. The verb that is often used to identify this culture type is create.

- Market: A results-oriented place to work where the major concern is getting the job done. Leaders are hard drivers, producers, and competitors. Reputation and success are common concerns. The verb that is often used to identify this culture type is compete.
- Hierarchy: A formalized and structured place to work. Procedures govern what people do. Leaders are coordinators and organizers. Stability, predictability, and efficiency are long-term concerns of an organization. The verb that is often used to identify this culture type is control.

The OCAI survey shows DOR employees who responded to the survey prefer a collaborative culture

We used the OCAI to survey 857 DOR employees. A little over half of the employees — 52% — responded to the survey. The collective results show the agency’s current culture as hierarchy and the preferred culture as clan, as depicted in Figure 2.⁸ The tool also measures the difference between the two cultures in terms of percentage points, which can indicate when results are especially relevant and should induce an organization to take action. Our survey results indicated the difference was significant enough that DOR met this threshold.⁹

Figure 2: While all four culture types are present at DOR, employees identified the current culture as hierarchy, but prefer the clan culture



Source: DOR employee survey results.

The current hierarchy culture reflects, in part, employees’ belief that a highly structured work environment is critical for a regulatory agency like DOR. Important values are attributed to

⁸ Throughout this report, we use the term “collaborative” to describe the clan culture employees prefer.

⁹ According to the researchers behind the survey instrument, differences over 10 points are considered especially relevant. Our survey showed a decrease in 11.68 points in the current culture and a 10.23 increase for the preferred culture.

DOR's current culture such as a formalized and structured place to work. Additionally, rules, policies, and procedures provide guidance on how work should be done. There is also a general focus on maintaining an efficiently run agency and employees are provided with secured employment. These values help ensure DOR is collecting taxes correctly, fairly, and equitably according to tax laws.

The more collaborative culture that employees desire has important values as well. These values include people-oriented qualities, such as loyalty, commitment, human resource management, and morale. This people-oriented culture also emphasizes sensitivity to customers and concern for people, teamwork, and participation. These values help ensure DOR employees collaborate and support each other to come up with effective ways to optimize performance.

Furthermore, responses about current and preferred culture were consistent across the majority of the demographic groups involved. These groups were broken down by age, gender, years of service, and management status, among others. Refer to Appendix B for the demographics included in the culture survey.

DOR employees acknowledged that values of a collaborative culture could be incorporated into the current work environment while maintaining the hierarchy values that contribute to DOR's role as a regulatory agency.

Focus groups and interviews identified ways to enhance DOR's culture

While the OCAI survey results provide culture profiles for the current and preferred cultures at DOR, additional information was needed to understand how the difference between current and preferred cultures manifest within the agency — and what can be done to bridge the gap. To



Setup for the focus group sessions at DOR. A total of 136 employees participated in 17 focus group sessions.

gather this information, we constructed focus group sessions to discuss and gather information from employees. These sessions, in addition to reviewing agency data and individual interviews, provided important qualitative data that informed the audit findings.

A total of 136 employees from various workgroups, classifications, and divisions within DOR participated in 17 focus group sessions. We held three separate sessions for members of the leadership team, middle management, and line managers.¹⁰ The majority of the participants were line staff.

DOR leadership was receptive to the audit methodology and reported the audit work would provide useful information for the agency and complement some of the work the agency will be doing in the future.

¹⁰ Throughout this report, we use the term “managers” to refer to middle managers and line managers.

Objective, Scope, and Methodology

Objective

We had two objectives for this audit. The first was to determine whether current organizational culture at DOR is consistent with its employees' preferred state, and whether addressing the cultural inconsistencies could help address organizational performance.

The second was to identify factors for the decline in customer service satisfaction from 2013 through 2016 that can be addressed to enhance customer service moving ahead.

Scope

Our audit scope included an agencywide culture assessment and customer service work.

Methodology

To complete our first audit objective, we administered an agencywide survey to 857 DOR employees to assess the agency's culture using the OCAI. The survey response rate was 52%. As noted, this tool identifies the difference between the agency's current and preferred culture, and sets the stage for discussions on opportunities to enhance DOR's culture. A detailed description of the OCAI can be found in Appendix A, including information on the instrument's reliability and validity. Appendix C includes a list of the survey questions.

We supplemented the survey with 17 focus group discussions in which 136 employees participated. Participants included members of the leadership team, mid-level and line level managers, staff from field offices, and staff from five work groups suggested by DOR leadership:

- Audit/Appraisal/Enforcement;
- Collections;
- Processing;
- Policy/Systems; and
- Other (employees that do not fall in any of the groups above).

These work groups are made of different employee classifications such as tax auditors, revenue agents, administrative specialists, office specialists, and operations and policy analysts, to name a few.

For both audit objectives, we also conducted interviews with members of DOR's leadership team, program managers, line staff, and union representatives. We also reviewed agency policies and procedures, reports to the Legislature, employee engagement reports, key performance measures reports, and researched methods, approaches, and tools for assessing organizational culture and the connection between culture and performance.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of DOR during the course of this audit.

Audit Results

Our assessment of DOR culture found that while employees appreciate the more structured and hierarchal culture that currently exists, the agency's culture could be enhanced by implementing more collaborative values.

We held extensive and diverse focus groups to explore ways increased collaborative values could be incorporated into the agency's current culture. Employees, a term encompassing both the management team and staff members, reported that a clan culture can be achieved by improving communication, through an effective accountability system and feedback processes, and improved workplace relationships. By bringing the agency culture into better alignment with the collaborative values employees prefer, DOR will be able to optimize its performance.

A more collaborative culture would also enhance the agency's ongoing efforts to address deficiencies in customer service.

DOR leadership can improve collaboration by clearly communicating significant changes and how they align with the agency's vision and direction

DOR employees identified multiple instances of unclear agency communications, including a lack of clarity about the agency's direction and vision; frustration regarding significant changes in internal communications and staff access to the director; the rationale for a significant change in customer calls protocols and processes; and the agency's increased emphasis on outcome metrics as opposed to quality customer service. In focus group sessions, both staff and managers expressed the opportunity and need for enhancing agency communications.

Effective communication from management is critical as it informs staff what they are supposed to do in the workplace.¹¹ Effective communication is also essential as it can build relationships, foster trust, and increase efficiency and effectiveness in the workplace. According to the

"I don't understand how my job fits into the bigger picture."

-Focus Group Participant

"I would like more visibility by the director. I don't feel I know her or her priorities very well."

"Sometimes there is a lot of decisions from management that make the everyday employee question the direction."

-DOR Employee Engagement Survey responses 2017

Committee of Sponsoring Organizations and the Government Accountability Office, information and communications are vital to identify, assess, and respond to risks on an ongoing basis and ensure achievement of objectives.¹² Management should internally communicate necessary and quality information to achieve the organization's objectives.¹³

Employees are unclear of DOR's direction and priorities

Like many state agencies, DOR has a specific mission and espoused vision and values that express the essence of the agency and how management and staff wish to carry out their functions. Despite having these values, vision, and mission, some DOR staff and managers are still unclear on the agency's direction, as they cannot see how it connects to their daily work. That was reinforced during focus group sessions, when staff expressed a lack of clarity regarding the agency's current direction and priorities. Staff also could not identify how they

¹¹ Management in the context of people, as oppose to strategy, refers to members of the leadership team, middle managers, and line managers.

¹² DeLoach and Thomson, "Improving Organizational Performance and Governance: How the COSO Frameworks Can Help," *Committee of Sponsoring Organizations of the Treadway Commission*

¹³ Comptroller General of the United States, "Standards of Internal Control in the Federal Government," *U.S. Government Accountability Office*

and their work fit within the agency's vision. Some managers, as well as members of the leadership team, expressed the need for everyone to have a sense of both how they contribute to the agency's mission and where the agency is going.

One way to help inform employees of the agency's direction, goals, and strategies is through a strategic plan. This plan is used by agency leadership to communicate organization goals and the actions needed to achieve those goals. DOR leadership is working to update their 2015 strategic plan as part of an outcome-based management initiative brought forward at the request of the Legislature. When the plan is updated, DOR leadership should ensure the plan is clearly communicated to employees at all levels within the agency.

DOR leadership can more clearly communicate the intent of significant operational, personnel, or policy changes

The current director implemented a series of changes impacting internal communications and limiting staff access to the director. While these changes were intentional, agency leadership did not communicate them as effectively as they could have, leaving DOR personnel unclear as to the reason and impact of the changes.

As noted, the department underwent a critical and complex information technology implementation over the last few years. The prior director adopted an expansive communication approach to ensure a successful implementation of this system, communicating frequently and directly with personnel. For example, the agency used to hold monthly town hall meetings and video messages from the DOR director. Staff also frequently contacted the director directly with issues or concerns.

Now that the system has been implemented, the current leadership strategy involves less frequent communication. The leadership team now conducts town hall meetings on a quarterly basis and provides fewer video messages. Employees have noticed the change in communication, but have not been given an explanation as to why. Leadership is still determining the appropriate level of information for staff to receive in order to do their jobs and is working to reinstate the use of the chain of command for communications from staff and to ensure communications from leadership are relevant and meaningful. Leadership can use the recently implemented newsletter to communicate relevant information to staff.

Communication is a complex and elusive management responsibility. Properly calibrating the level of communication in terms of too much or not enough is an inherent challenge of organizational management.

DOR has systems in place such as GenTax and Automated Call Distribution (ACD) that allow managers to monitor staff productivity and staff to monitor their own productivity as well. Although the systems are helpful, some changes made to how staff using these systems do their job — such as changes in how inbound customer calls are handled and a focus on production metrics — were not clearly communicated to staff, resulting in confusion and challenges. Some staff who are responsible for handling inbound customer calls reported the change from an individual work queue to a common work queue created challenges with customer service. For example, in the past DOR customers were assigned a specific Revenue Agent to handle their case, a relationship that could

Effective internal communications should:

- Build relationships
- Build a sense of community
- Foster trust
- Ensure everyone gets the same message at the same time
- Enhance informed decisions through information sharing
- Lead to improved performance
- Increase efficiency and effectiveness
- Empower staff

Source: Internal Auditor Journal, 2000

last for years. Now, customers no longer have a worker to contact — instead, customers contact a general number and are assisted by the next available agent.

In addition, while customers are on the phone, staff now attempt to review previous call documentation to understand the history of the case, but they can struggle to do so due to poor documentation left by other staff. This can result in customers having to recount complicated tax issues. This loss of a personal connection with customers leaves staff feeling frustrated and concerned about the agency's commitment to customer service.

Another change that occurred for staff handling calls with the ACD system was an increase in the use of production metrics. The ACD system includes the ability to monitor customer service staff's length of calls. As a result, management instituted time-based requirements for completing work that are used for performance evaluations. As a result, staff report they feel pressured to complete telephone calls quickly and must complete post-call documentation within three minutes.

"Previously, customer service was a priority, now it is just about production."

-Focus Group Participant

DOR management reports that the ACD system, as well as other systems such as GenTax and an updated phone system, have exposed productivity issues and successes. However, some staff expressed frustration as they perceived this system to overly micromanage their time. Staff also expressed the belief that this system fails to focus on the right kind of accountability, as they reported this work metric is not balanced or useful. For instance, staff understand the need for some measure of productivity; however, the way in which

staff time was being managed became intrusive as some staff are questioned about the length of their restroom breaks. Additionally, staff reported that pressure to meet the time requirements results in some staff providing poor customer service on the phone and failing to completely and accurately document the call, which has implications on future customer service efforts. Staff reported that this increased focus on production metrics has a negative impact on customer service, as the focus is now on the quantity of calls rather than the quality of the calls or resulting service to the customer.

While management has made efforts to inform some staff of the reason for changes in this body of work, there are staff who still express concern about the impact and are unsure of the reason for the changes. With improved communication regarding changes to job duties, staff would feel more engaged and invested in their work, which can improve agency performance.

DOR employees envision more accountability in the collaborative culture

Employees expressed the need for accountability throughout DOR. Specific areas of accountability include enhanced clarity regarding performance expectation for all employees; ensuring employees have skills and resources to meet expectations; performance objectives and targets that are clear and measurable; performance feedback that is honest, open, and ongoing; and consequences for not meeting expectations that are clear and enforced. Though there are some accountability measures that exist in the current culture, employees indicated they want more accountability as part of a shift toward the preferred culture.

DOR needs a comprehensive accountability framework

During the focus group sessions, both staff and members of management consistently expressed a desire for increased accountability throughout DOR. They reported concerns about the level of individual accountability, accountability between team and units, and the agency's accountability to customers. Issues around a lack of accountability were also reported by employees in DOR's annual employee engagement surveys. Our qualitative analysis of the survey

data show that staff want consistent and clear accountability for both staff and managers. According to staff, expectations and employee work standards are inconsistent. In addition, management told us they find the process for holding staff who do not meet expectations accountable to be challenging and lengthy.

Staff also reported concerns about managers failing to be held accountable. For example, a few staff reported inappropriate actions by managers, such as physical contact with staff, the use of derogatory and foul language toward staff, or failure to comply with requirements. Despite management being provided with evidence of these actions, staff reported, the behaviors continue.

Important internal processes and controls that support an environment of accountability are absent within DOR. For instance, we found that the agency does not track the completion of employee performance evaluations; therefore, we could not determine if DOR is consistently conducting performance evaluations. Without consistent evaluation of employee's performance, the agency may be unable or slow to recognize and address poor employee performance or patterns of misbehavior.

The GenTax implementation resulted in significant changes to job duties for numerous positions. However, a number of years have passed since the phased rollout of GenTax between 2014 and 2017 and many employees still have not received updated position descriptions and are unclear about what is expected of them. We also found, despite the changes brought by GenTax, the agency is not tracking employee position descriptions and is unaware which employees need updated position descriptions. This not only inhibits the employee's ability to ensure they are performing as expected, but it also lessens management's ability to manage to the expectations of the position.

A recent review completed at the request of the Legislature and conducted by the Department of Administrative Services identified that Human Resource management accountability could improve at DOR. The review revealed that the DOR's personnel management policies and procedures were not aligned with statewide policy. In contrast to DAS policies regarding job rotations and pay differentials, the review found DOR did not:

- have a request process;
- have a standardized application form;
- require a resume to determine if the minimum qualifications for the higher classification are met; or
- require or maintain documentation showing the reason for staff receiving a pay differential.

These inconsistencies in hiring and promotion practices could create perceived or actual favoritism and inequity within the agency. Leadership has identified the need for an agencywide accountability framework that would build upon the work happening on the unit level and create a structure to hold all employees accountable.

If employees do not believe that accountability is applied consistently and fairly, perceptions of favoritism, which have persisted for many years, are likely to be amplified. By creating more formal processes that include addressing personnel practices, the agency's culture can change to one that supports and enforces accountability.

Clarifying labor and management expectations and improving feedback mechanisms would help create a more collaborative workplace

Focus group data show employees want a workplace where everyone has a collaborative relationship, new ideas are welcome, and everyone feels valued and respected. However, these values are weakened at DOR by the current dynamic between labor¹⁴ and management and the lack of an effective employee feedback mechanism. Improving these two culturally sensitive relationship areas would likely improve employee morale, foster a more cooperative work environment, and help optimize agency performance.

Contrasting expectations impair the staff and management relationship

Staff representatives on the DOR Labor-Management Committee have reported significant concerns regarding the relationship between staff and management. The current dynamic has stalled attempts to resolve workplace issues and produced a strained relationship.

Like many state agencies, DOR staff are represented by the Service Employees International Union, a labor union that engages in workplace organizing and negotiates the terms of state workers' employment through a Collective Bargaining Agreement. Article 106 of the Collective Bargaining Agreement establishes the agency Labor-Management Committee, a group composed of agency management and staff who meet regularly to effectively handle issues in the workplace and to improve the relationship between staff and management.

However, both sides agree the relationship needs improvement. Staff on the DOR Labor-Management committee believe that management is failing to make a good faith effort to address workplace issues and take a balanced approach to labor-management issues, particularly when issues arise regarding significant misbehavior by managers.

Conversely, leadership told us they see their role as supporting the agency as a whole. Management expressed concerns that staff have come to have expectations and a sense of entitlement to treatment beyond what is required by the Collective Bargaining Agreement. For example, in the past staff were allowed to change their work schedules to alternative work schedules and telework even if line managers believed it to be in conflict with business needs. DOR leadership identify the genesis of this issue as coming from an undocumented past practice which, from their perspective, disempowered managers and limited their ability to effectively manage staff.

This past practice began during a particularly challenging time and was intended to be an incentive for staff. The practice required managers to be as accommodating as possible to staff requests. This fostered an environment where staff felt empowered to contact the director with any concerns or issues. Per management, this practice resulted in an increase of teleworking and alternative and flexible schedules that have made managing worker production difficult. For example, a number of staff work from the office just one day a week and telework the rest of the week.

Leadership believes that some level of course correction is needed to rebalance the power between staff and management. Current management is in the process of rolling back this past practice by limiting teleworking opportunities and changing the work schedule for some staff. As this was not an official policy, it is difficult for current leadership to address the challenges they view as stemming from the practice. While management has begun to make changes, these measures are challenging staff's expectations regarding issues that previously fell within the

¹⁴ Labor in this context is non-management employees represented by a labor union.

practice, such as highly flexible work schedules and teleworking options. These shifting expectations, as well as an absence of effective communication about the changes, leave staff confused about their changing work environment and ultimately feeling disconnected from and disrespected by management.

DOR leadership would like to see the staff-management relationship refined and rebuilt. Leadership reported this would include empowering managers and ensuring they have the tools to manage staff. Additionally, leadership stated the implementation of GenTax appears to have made the day-to-day management of staff more difficult, as the focus on staff production took a back seat to addressing the change associated with the GenTax implementation. DOR's leadership team reported that shifting the focus back to individual work production and supporting and empowering managers is their plan to foster stability in the staff-management relationship.

This is in stark contrast to what staff representatives on the Labor-Management committee believe would improve the staff-management relationship. They would like to see management consistently held accountable, a spirit of collaboration from management, and managers who are open to issues and concerns brought forward by staff.

Improved communication between these groups would provide a starting point for bridging the gap between the disparate expectations and would strengthen the relationship. Different perspectives between management and labor are common. With a relatively new leadership team and the successful implementation of GenTax there appears to be a good opportunity to close the gap on expectations and communications. The significant amount of support of and cooperation with this audit by both the executive team and DOR personnel bodes well for a positive outcome.

Staff and managers desire a better 360 communication and feedback mechanism to ensure enhanced agency communications and morale

Some managers and staff reported during focus group sessions they feel unheard and new ideas are not welcome at the agency based on the current feedback process. Staff feel strongly that employees have valuable insights regarding how to enhance workplace processes and are disappointed and frustrated that their feedback is not being addressed. Members of the leadership team also expressed in the focus group session that, in the collaborative culture, problems would be tackled by staff, input to resolve problems would be utilized, and there would be no reverting back to old, ineffective methods. Staff want to know that their ideas were considered and be informed of the outcome. However, the agency's current feedback processes do not provide employees with information on the outcome of their suggestion or idea, a critical step to completing the feedback loop.

Currently, DOR's primary method to solicit feedback from employees is an annual employee survey and a digital suggestion box. When the employee survey was initially implemented five years ago, employees were excited and participated at a high rate, as they believed that it would result in agency improvement. As time passed, participation decreased from a high of

"I have made many, many suggestions for improvement. The ideas seem to go into a black hole. I never hear any feedback nor thanks for contributing them. Whatever has happened to my suggestions?"

– 2013 DOR Employee Engagement Survey response

"I see things that need fixing, some small things, and some big, and I take the time to make suggestions and nothing happens. Sometimes I even feel that those above me would prefer that I not make suggestions, and just stick to getting my work done. This attitude is not going to lead to innovative problem solving."

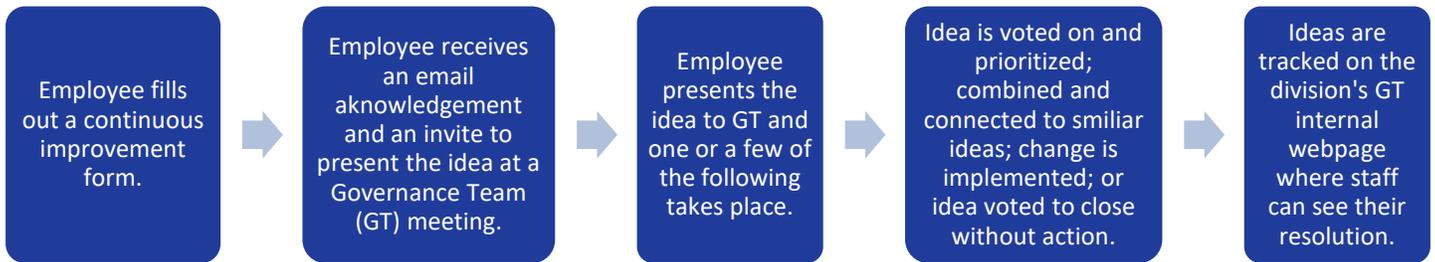
–2017 DOR Employee Engagement Survey response

70% in 2014 down to 52% in 2016, when staff failed to see management take action to address the concerns brought forward in the survey. In 2018, the rate was 53%.

Though another option is available — the opportunity to bring up issues during all agency town hall meetings — staff still express concern that the feedback process is not effective because they do not receive information on what becomes of their suggestions. According to DOR leadership, some staff comments from the annual employee survey are wrapped in so much vitriol that it is difficult to find suggestions for improvement and report back. Leadership has taken action in response to comments in the surveys, but do concede that they have not clearly communicated those actions to staff. Management did report that staff are aware of one action taken to directly address staff concerns — in response to staff concerns of favoritism in hiring and promotions, management created a hiring and promotions workgroup.

Another state agency has implemented a feedback system that could help DOR track and report back to staff on their ideas and feedback, alleviating staff concerns. The Aging and People with Disabilities division within the Oregon Department of Human Services uses a feedback process where employees make suggestions which are tracked on an internal webpage.

Figure 3: Example of an employee feedback process



Source: Department of Human Services – Aging and People with Disabilities Newsletter, November 2017.

The Interagency Advisory Group Committee on Performance Management and Recognition Suggestion Program Work Group produced a user’s guide to successful suggestion programs for federal agencies. The group reported the feedback or suggestion program generally has three phases:

- receipt and review of an idea;
- evaluation of an idea; and
- closure, which includes notifying the employee that made the suggestion of the final decision. If the suggestion is implemented, employee is provided with an update on the implementation status of the suggestion.

Employees reported feeling undervalued

Management and staff both indicated a strong desire to improve workplace relationships. This area of consensus bodes well for efforts in this regard. Staff reported that shifting to a collaborative culture would increase trust and respect throughout the agency. Members of the leadership team desire a stronger employee-supervisor relationship, increased trust in the workplace, and more respectful interactions at all levels in DOR.

Some staff reported experiencing or witnessing disrespectful interactions between coworkers and managers, including demeaning comments and yelling. Participants also want more trust from management, thereby increasing the opportunity for independent thought by staff. With a shift in culture, staff believe that their suggestions would be increasingly considered by management, all of which would help staff feel valued. With these changes, and an increased

sense of being valued, employees believe that cultural shifts can improve worker morale, engagement, and ultimately create a positive impact on agency performance.

The gap in DOR’s culture could negatively impact operational performance and has damaged external credibility with some key stakeholders

Research suggests that addressing the gap in DOR’s organizational culture would help optimize the agency’s performance and enhance internal and external relations. An aligned culture can positively impact job satisfaction, quality, customer service, employee recruitment, engagement, and retention. A misaligned culture can lead to loss of credibility and uncertainty about an organization’s performance.

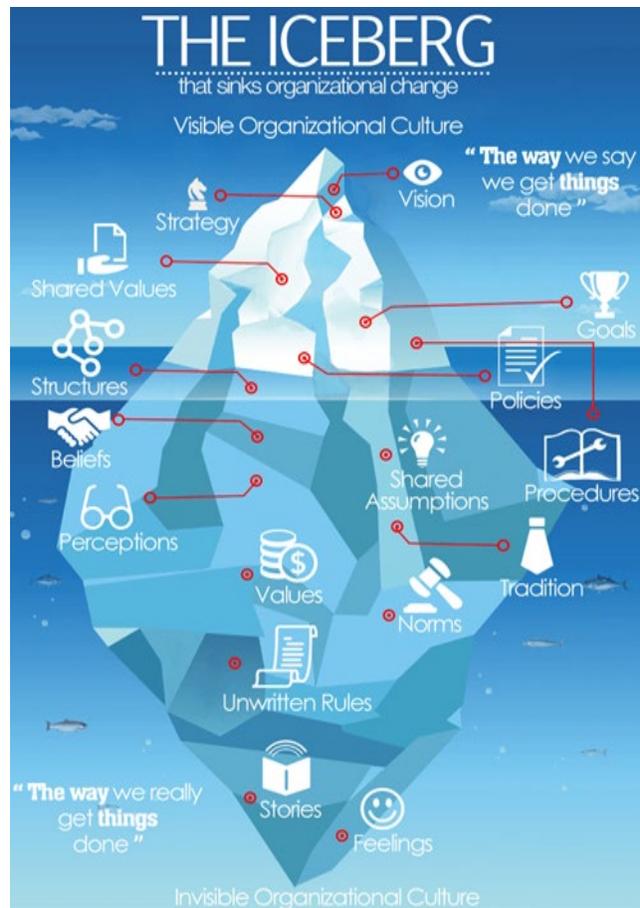
Aligned organizational culture has a positive impact on performance

When people feel positive, they will perform better. Feeling positive boosts confidence and creativity. When DOR employees share more of the same values, beliefs, and vision — of collaboration, teamwork, and participation — described in the culture they prefer, they will create a positive work environment and optimize their performance.

A positive culture is one in which an organization is aware of both positive and negative aspects of the culture and chooses to reinforce the positive because it has been proven to be effective. A positive environment allows for a respectful, permissive, encouraging, and empowering foundation on which to work. The major distinguishing feature of successful companies and the key ingredient in their success is their organizational culture.

Culture may be hard for people to grasp as it is only partly visible on the outside. While some aspects of culture may be visible by the physical appearance of an organization and how people do their work, the biggest part of culture is invisible and is often not measurable — concepts like assumptions, values, and beliefs. Despite its intangible nature, culture produces hard results, as it affects performance, employee retention, and innovation.

Organizational culture can keep organizations stuck in their old ways of doing things or it can propel organizations to new levels of performance. Research has identified both financial and non-financial performance indicators to measure an organization’s success. Some non-financial performance indicators that are applicable to public entities such as DOR and other governmental organizations include job satisfaction, a reduction in error rate, quality of products, and customer satisfaction. Improving culture can improve these performance indicators.



Source: www.trobenrick.eu

A culture that is conducive to job satisfaction, quality, and customer service has a positive impact on performance

Satisfied employees show more productivity and have more commitment and loyalty toward their organization. A supportive, people-centered culture where employees participate in decision making, training, and coaching are part of DOR's preferred culture of collaboration.

Errors in the workplace can lead to faulty products and information. A more collaborative culture, which encourages open discussion, can lead to development of an effective error management process and a culture where employees are able to learn from errors.

High quality products and service leads to higher organizational performance. A collaborative culture focuses on people, learning, and development, which has a direct effect on quality and customer satisfaction. This people-oriented culture involves customers in their daily activities in a way that helps organizations receive feedback from customers and maintain good relationships.

The culture DOR employees prefer can enhance recruitment, engagement, and retention

Culture influences employee recruitment, engagement and retention. Research indicates 41% of candidates search for information about a company's culture before they apply. An appealing culture gives organizations an advantage as it attracts and retains the right employees. Culture tells applicants who the organization is, what they do, and how they do things.

According to a survey by multinational accounting firm Deloitte, 95% of employees say that culture is more important than compensation.¹⁵ Employees want to learn and become better at what they do, enjoy professional autonomy, and contribute to a meaningful purpose. Employee engagement is more than perks and work conditions. It is built daily by how people work together through culture.

Employee retention is important for keeping knowledge and skills within an organization. Recruitment and onboarding are costly and high turnover weakens an organization's culture. DOR's average turnover rate was approximately 11% between Fiscal Years 2015 and 2018. Although we did not assess whether this rate is low, high, or average compared to similar agencies, we conclude that enhancing DOR's culture could help reduce this rate.

One study looked at the retention rates of 904 college graduates by six companies with different cultures. Culture had a significant effect on the rates at which the new hires quit their jobs. The cultural effects resulted in millions of dollars in human resource costs between the firms with different cultural values. As previously mentioned, improving culture can have a significant effect on these human resources management efforts.

Misalignment in DOR's culture potentially led to the loss of the agency's credibility

The difference between the current and preferred culture at DOR means there is an opportunity for DOR to perform better than it is today. This difference could be a contributing factor to the increased scrutiny from the Legislature and the perception that DOR is not performing at its optimal level, as reflected in customer service and other performance indicators such as personnel management. Research supports the conclusion that if DOR operated in a more collaborative manner than it is now, some of the challenges could have been alleviated. The DOR

¹⁵ Marcella Bremer, "What is Culture and Why Does it Matter?" in *Developing a Positive Culture where People and Performance Thrive* (Melbourne, Florida: Motivational Press, Inc., 2018), 22

director has made restoring the agency’s external credibility as one of the top priorities due to the perception that DOR is not performing to expectations.

As mentioned previously, nine budget notes were attached to DOR’s budget by the Legislature in 2017. These notes require the agency to undergo various reviews and assessments on some of its day-to-day activities. One of the budget notes asked DOR to identify deficiencies in the current delivery of effective customer assistance and develop a plan to address the deficiencies.

DOR is taking positive steps to address customer service challenges; enhancing its culture could help these efforts

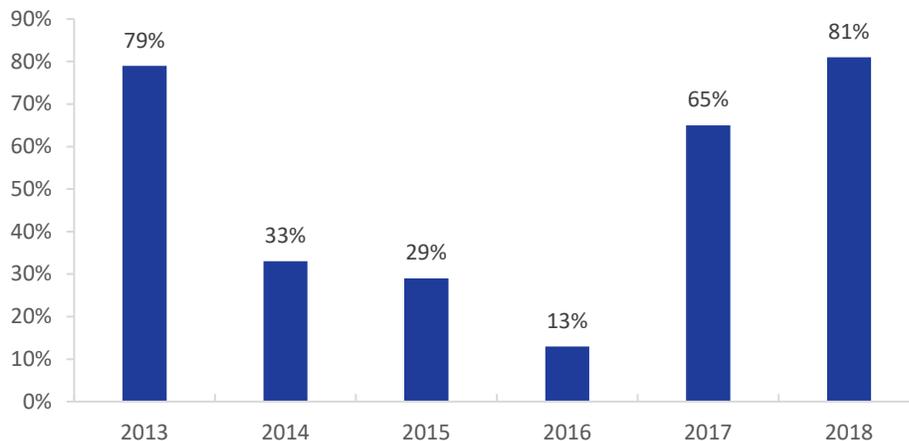
DOR has identified some deficiencies related to customer service. However, the agency has already begun work on efforts to address these deficiencies. We confirmed DOR’s progress in addressing the problems and identified how enhancement to the current agency culture could help optimize these customer service efforts.

Customer service satisfaction data declined between 2013 and 2016

From 2013 to 2016, DOR’s data for customer satisfaction showed a dramatic fall from 78.50% in 2013 to 13% in 2016. This decrease was due to a variety of factors, including the implementation of GenTax, a failed Processing Center Modernization project, and a change in customer service survey methods.

DOR has a goal of 98% for overall customer satisfaction. This is a percentage of agency customers rating their satisfaction with the customer service they received as “good” or “excellent” based on overall experience, timeliness, accuracy, helpfulness, expertise, and availability of information.

Figure 4: Overall customer satisfaction declined between 2013 and 2016 but increased in 2017 and 2018



Source: DOR 2019-2021 Agency Requested Budget.

Between 2013 and 2016, DOR experienced a number of changes that impacted how agency staff provided customer service and customer satisfaction reporting data. This time period coincided with the agency’s implementation of the GenTax system and the failed Processing Center Modernization project. Despite planning and preparation efforts, the replacement of a core system can impact an agency’s ability to meet its previous customer service level while workers become acclimated to the system and system issues are addressed.

In 2014, DOR initiated the Processing Center Modernization project to permit the agency to electronically image incoming documents and payments, an important step to allow tax return and payment data to be processed by the new GenTax system. Against the opposition of some

leadership members, the project was allowed to move forward without a backup plan in the event issues arose during the launch. In 2015, the project hit what the agency deemed a “crisis situation” and therefore was not ready to process tax returns for the 2016 tax processing season. The agency was forced to manually process most incoming tax returns, a situation that greatly slowed the agency’s ability to provide tax refunds, necessitated the use of resources from other areas of the agency, and created a myriad of customer service issues. DOR leadership reported that the imaging center failure was the largest blow to customer service during this period, as reflected when the key performance measure dropped to 13%.

While these issues undoubtedly impacted customers’ experience with the DOR, the extent to which customer satisfaction was impacted is unclear due to the changes the agency made in the way customer satisfaction information was gathered and reported. In 2013, DOR’s customer satisfaction survey was only available for two weeks and resulted in less than 200 responses, a response rate the agency has determined is not statistically viable, considering the more than 2 million customers DOR works with every year. The following two years, the agency held the survey open longer — 11 months in 2014 and a full year in 2015. During this time, the agency also moved from personally asking customers for their ratings at the end of telephone calls to requiring customers to call a separate number to take an anonymous survey. This change in methods skewed the survey results, as the customers willing to take the time and effort to complete the survey were likely frustrated with the agency.

Even though the validity of the agency’s key performance measure data on customer satisfaction was questionable, it was consistently reported to the Legislature through DOR’s Annual Performance Progress Reports. The agency provided some narrative and testimony regarding the data but chose to minimally explain the impact that the change in methods had on the survey results and data. Meanwhile, both the Legislature and the Governor’s Advocacy Office were receiving complaints about DOR. The insufficient communication to the Legislature elevated concerns regarding the agency’s functioning, leading to increased scrutiny and multiple initiatives to assess the agency’s effectiveness.

DOR has already begun to make good progress on identifying and improving deficiencies in its customer service

As the Legislature was increasing its scrutiny of DOR, the agency had begun to self-assess its own weaknesses in regards to customer service. DOR identified a number of deficiencies and began taking steps to remedy them.

As depicted in Figure 5, we confirmed the agency has identified the most significant customer service deficiencies and is already taking appropriate steps to improve.

Figure 5: Summary of DOR efforts to improve customer experience

DOR Identified Deficiency	Improvement Efforts
<p>Slow refunds due to increased efforts to identify fraud and identity theft</p>	<p>Refining business rules to reduce the number of legitimate returns from being unnecessarily flagged for fraud.</p> <p>The fraud team’s ongoing review of the fraud manager edits and making adjustments as needed.</p>
<p>Long wait times due to high volume of calls and hard-to-resolve calls</p>	<p>Opening a call center in Fossil, OR in mid-October 2018.</p> <p>Hiring seasonal help.</p>

<p>Confusing notices – reason for notices and actions taxpayers need to take are not always clear</p>	<p>The department organized an “Output” group, which began meeting in late 2017 to review and update notices for clarity and plain language. The group started by updating the collection notices / letters (approximately 10). They moved to reviewing the Notice of Assessment (NOA) and planned to do the Notice of Deficiency next. However, the group has stalled in the middle of the NOA review due to other priorities (federal tax reform, seasonal workload).</p>
<p>Inconsistent method for collecting and reporting customer service data</p>	<p>Survey is made available year round as opposed to only in November and December as practiced in the past. Improved delivery method for survey to include an online option.</p> <p>Survey link is included on employees’ business cards and email signature blocks.</p>
<p>Unsuccessful Processing Center Modernization Project designed to process paper tax returns and payments</p>	<p>Project re-initiated in August 2017 with project monitoring (risk, scope, quality, budget, and resource availability) and external oversight from the Department of Administrative Services, Office of the State Chief Information Officer.</p> <p>Successfully rolled out phase one of the project in August 2018.</p>
<p>DOR phone tree at the call center that is challenging for customers to navigate.</p>	<p>Make the phone tree easier for taxpayers to navigate. DOR formed a project team in August 2018 to audit the phone tree.</p>
<p>Future improvement activities include:</p> <ul style="list-style-type: none"> • Developing staffing plans for call centers that leverage resource sharing and seasonal staffing options to reduce call wait times. • Adding a customer service coordinator for the agency. • Training and educating employees on customer service expectations. 	

Values in the collaborative culture include a focus on customers as partners

After solidifying their survey method to ensure more consistent and reliable information, DOR’s customer satisfaction data shows an upward trend. While still below the target of 98%, the overall customer satisfaction rate is up 16 points from the previous year to 81% in 2018, as depicted in Figure 4. DOR attributes some of the survey results to new survey initiatives. Currently, at the end of direct contact with a customer, the agency asks each customer to complete the customer service survey. Additionally, DOR implemented an online survey option. With these two changes, the agency has been able to garner a record number of customer responses, approximately 11,000 during 2018. Improving culture has the potential to help improve customer service even further.

As previously discussed, DOR employees are open to incorporating aspects of a more collaborative and relationship-based culture into the agency. This change could have a positive effect on customer service.

The agency’s preferred culture includes important aspects of customer service and the relationship between an agency and their customers. This people-centered culture is defined by a sensitivity to customers who are viewed as partners. Culture-based focuses such as these help keep attention on the needs and experiences of customers and would likely improve the overall customer service experience for the agency.

Recommendations

Several tools and methods are available for DOR leadership to make needed organizational improvement. For example, organizations have used tools and methods such as results-based management, Business Context Diagram, the internal control framework established by the Committee of Sponsoring Organizations of the Treadway Commission, and Lean Six Sigma to make improvement in organizational processes and practices. DOR should consider using some of these tools as well as other tools at their disposal to implement the audit recommendations.

To begin to incorporate the values of a collaborative culture that employees, including management and staff, prefer, DOR leadership should:

1. Determine and implement an appropriate level of internal communications that provide employees with information they need to do their job and provides a sense of the agency's purpose and goals. For example, the agency's strategic plan should communicate DOR's goals and the specific actions required to achieve them.
2. Implement an effective accountability framework that at a minimum sets clear and measurable expectations and feedback to address employee performance. For example:
 - Track employee position descriptions to ensure employees have updated and accurate descriptions of their work.
 - Track employee performance evaluations to ensure employees receive timely feedback on their performance.
 - Ensure position descriptions and performance evaluation standards are clear and consistently applied.
 - Ensure that managers and supervisors have the requisite training and skills.
 - Consult with the Department of Administrative Services' Human Resource Office, for assistance with supervisor training and development.
3. Complete the current feedback system by including a mechanism to inform staff of the status and outcome of their submitted ideas. Refer to the Oregon Department of Human Services and the guidance for the federal agencies examples cited in the report.

Furthermore, DOR leadership should:

4. Work with the Department of Administrative Services, Labor Relations unit to clarify the roles of the Joint Labor Management Committee members to strengthen the labor/management relationship throughout the agency.
5. Complete efforts underway to address customer service challenges and report the progress to stakeholders. Reporting should include information that clearly explains the factors that impact customer service and factors that impact the data used to report on customer satisfaction. The following are examples of pending efforts:
 - Develop staffing plans for call centers that leverage resource sharing and seasonal staffing options to reduce call wait times.
 - Add an agency customer service coordinator.
 - Train and educate employees on customer service expectations.

Appendix A: Organizational Culture Assessment Instrument

The Organizational Culture Assessment Instrument (OCAI) is a survey tool used to diagnose organizational culture. Professors Robert Quinn and Kim Cameron from the University of Michigan developed the tool, which has been used by over 10,000 organizations worldwide, including Fortune 500 companies, non-financial entities such as higher education institutions, and public administration entities.

Sufficient evidence has been produced to confirm the reliability of the OCAI. Researchers are confident that OCAI matches or exceeds the reliability of the most commonly used instruments in the social and organizational sciences. Empirical evidence also show the OCAI is valid — that is, it measures what it claims, namely, key dimensions of organizational culture that have a significant impact on organization and individual behavior.

Marcella Bremer and Marcel Lemers founded OCAI Online, with permission from professors Quinn and Cameron. This allows participants to take the survey online, as opposed to a paper survey originally created by the professors.

The OCAI is based on the Competing Values Framework, and uses four culture types: Clan, Adhocracy, Market, and Hierarchy. The Competing Values Framework was developed from research conducted on major indicators of effective organizations. Thirty-nine indicators of effectiveness were statistically analyzed and two major dimensions emerged that organized the indicators into four main clusters. One dimension differentiates effectiveness criteria that emphasize flexibility, discretion, and dynamism from criteria that emphasize stability, order, and control. The second dimension differentiates effectiveness criteria that emphasize an internal orientation, integration, and unity from those that emphasize an external orientation, differentiation, and rivalry.

Together these two dimensions form four quadrants, each representing a distinct set of organization effectiveness indicators. These indicators of effectiveness represent what people value about an organization's performance. The four core values represent opposite or competing assumptions. Each continuum shows a core value that is opposite from the value on the other end of the continuum. The competing or opposing values in each quadrant give the name for the model — Competing Values Framework.

Survey respondents are asked to rate their organization by assessing six key dimensions of organizational culture: Dominant Characteristics, Organizational Leadership, Management of Employees, Organizational Glue, Strategic Emphasis, and Criteria for Success. Under each dimension are four alternatives, labeled A, B, C, and D in the survey. Participants divide 100 points among the four alternatives, depending on the alternative that is similar to the participants' organization. Higher number of points are given to the alternative that is most similar to your organization.

Participants assess the six dimensions twice. The first time is to identify the current culture and the second time participants assess the dimensions while thinking about their preferred culture. After the survey, the results are calculated by averaging all the score for the four items under the six dimensions. For example, average score for A, B, C, D alternatives for the ratings for the current culture and the ratings for the preferred culture. These averages are then plotted on a diagram, which shows the gap between the current and the preferred culture. Refer to the DOR culture profile in the Introduction section.

Appendix B: Demographics included in the culture survey

Demographics	Subsets (# of survey respondents)
Division	Administration (102) Business Tax Division (106) Personal Tax and Compliance Division (186) Property Tax Division (53)
Location	Field (55) Salem (392)
Management Status	Managers (62) Non-Managers (385)
Work Category	Audit/Appraisal/Enforcement (114) Collections (73) Policy/Systems (57) Processing (66) Other (137)
Age	Under 30 (27) 30 – 44 (169) 45 – 59 (200) 60 or over (51)
Gender	Male (163) Female (281) Other Gender Identities (3)
Years of Service	Under 5 (154) 5 – 9 (93) 10 – 14 (84) 15+ (116)

Appendix C: OCAI Questionnaire

Dominant Characteristics

- A. The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves.
- B. The organization is a very dynamic and entrepreneurial place. People are willing to stick their necks out and take risks.
- C. The organization is very results-oriented. A major concern is getting the job done. People are very competitive and achievement-oriented.
- D. The organization is a very controlled and structured place. Formal procedures generally govern what people do.

Organizational Leadership

- A. The leadership in the organization is generally considered to exemplify mentoring, facilitating, or nurturing.
- B. The leadership in the organization is generally considered to exemplify entrepreneurship, innovation, or risk taking.
- C. The leadership in the organization is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus.
- D. The leadership in the organization is generally considered to exemplify coordinating, organizing, or smooth-running efficiency.

Management of Employees

- A. The management style in the organization is characterized by teamwork, consensus, and participation.
- B. The management style in the organization is characterized by individual risk taking, innovation, freedom, and uniqueness.
- C. The management style in the organization is characterized by hard-driving competitiveness, high demands, and achievement.
- D. The management style in the organization is characterized by security of employment, conformity, predictability, and stability in relationships.

Organization Glue

- A. The glue that holds the organization together is loyalty and mutual trust. Commitment to this organization runs high.
- B. The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge.
- C. The glue that holds the organization together is an emphasis on achievement and goal accomplishment.

D. The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.

Strategic Emphases

A. The organization emphasizes human development. High trust, openness, and participation persist.

B. The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.

C. The organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.

D. The organization emphasizes permanence and stability. Efficiency, control and smooth operations are important.

Criteria of Success

A. The organization defines success on the basis of development of human resources, teamwork, employee commitment, and concern for people.

B. The organization defines success on the basis of having the most unique or newest products. It is a product leader and innovator.

C. The organization defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is key.

D. The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling and low-cost production are critical.



Oregon

Kate Brown, Governor

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January 18, 2019

Kip Memmott, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 500
Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Audits Division's final draft audit report titled Enhancing Organizational Culture and Addressing Customer Service Challenges Will Optimize Agency Performance.

The Department of Revenue (DOR) leadership appreciates the time and attention committed to the inaugural Culture Audit of an Oregon state government entity. The planning and execution phases of this audit were approached with a spirit of cooperation by leadership from both agencies. The first attempt at any endeavor can prove arduous and this audit is no exception.

The department has and will continue to explore appropriate opportunities to foster collaboration between line staff and all levels of management. Notwithstanding, it must be acknowledged that DOR leadership cannot relinquish the authority inherent to effective management. There is work that requires the execution of directives that are simply unsuitable for extensive collaboration or consultation. Striking the appropriate balance between management responsibilities and staff expectations, however, will remain a goal of agency leadership.

Below is our detailed response to each recommendation in the audit.

RECOMMENDATION 1

Determine and implement an appropriate level of internal communications that provide employees with information they need to do their job and provides a sense of the agency's purpose and goals. For example, the agency's strategic plan should communicate DOR's goals and the specific actions required to achieve them.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
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	(Generally expected within 6 months)	
Agree	March 1, 2019	Satish Upadhyay (503) 945-8213

Narrative for Recommendation 1

DOR management has taken several steps recently to enhance internal communications. The first DOR newsletter in almost ten years was released last week. A DOR strategic priorities document that communicates DOR's agency-wide priorities and related goals for achieving them will be released in the very near future. DOR leadership continues to hold periodic town hall meetings and is working with senior and mid-level managers to create more consistent cascading of information throughout the agency. Management is committed to continuing to pursue new and more effective methods of communicating with our staff.

RECOMMENDATION 2

Implement an effective accountability framework that at a minimum sets clear and measurable expectations and feedback to address employee performance. For example:

- Track employee position descriptions to ensure employees have updated and accurate descriptions of their work.
- Track employee performance evaluations to ensure employees receive timely feedback on their performance.
- Ensure position descriptions and performance evaluation standards are clear and consistently applied.
- Ensure that managers and supervisors have the requisite training and skills.
- Consult with the Department of Administrative Services' Human Resource Office, for assistance with supervisor training and development.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
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Agree	December 31, 2019	Dickson Henry (503) 947-2004
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Narrative for Recommendation 2

In response to this recommendation, the DOR Human Resources (HR) Administrator will take responsibility for tracking employee position descriptions and helping managers ensure they are updated and accurate. DOR management will begin tracking timeliness of performance evaluations to ensure that all employees receive periodic performance evaluations. Training has been a long standing agency priority that is measured as a Key Performance Measure. Defining "requisite" training for managers and supervisors can be challenging, so, the agency may consult with Department of Administrative Services on this topic. Leadership continues to encourage managers and supervisors to be proactive about pursuing training that will help them be more effective in their role, particularly new managers and supervisors. Turnover in key positions within HR will mean that implementation of this recommendation will take longer than the expected 6 months.

RECOMMENDATION 3

Complete the current feedback system by including a mechanism to inform staff of the status and outcome of their submitted ideas. Refer to the Oregon Department of Human Services and the guidance for the federal agencies examples cited in the report.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	December 31, 2019	Satish Upadhyay (503) 945-8213

Narrative for Recommendation 3

DOR has some specific functioning feedback systems, however, effectiveness of these feedback systems has not been reviewed recently. Management plans to evaluate the current feedback system and, based on findings, identify possible improvements that ensure staff are informed of the status and outcome of their submitted ideas. Again,



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turnover in key positions within HR may delay implementation, so, a realistic target of December 31, 2019 has been established.

RECOMMENDATION 4

Work with the Department of Administrative Services, Labor Relations unit to clarify the roles of the Joint Labor Management Committee members to strengthen the labor/management relationship throughout the agency.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 6 months)	Name and phone number of specific point of contact for implementation
Agree	August 1, 2019	Satish Upadhyay (503) 945-8213

Narrative for Recommendation 4

DOR management is committed to having effective relationships with the Joint Labor Management Committee members. The agency will seek the Department of Administrative Services, Labor Relations Unit's guidance on ways to strengthen the labor/management relationship at DOR.

RECOMMENDATION 5

Complete efforts underway to address customer service challenges and report the progress to stakeholders. Reporting should include information that clearly explains the factors that impact customer service and factors that impact the data used to report on customer satisfaction. The following are examples of pending efforts:

- Develop staffing plans for call centers that leverage resource sharing and seasonal staffing options to reduce call wait times.
- Add an agency customer service coordinator.
- Train and educate employees on customer service expectations.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
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	(Generally expected within 6 months)	
Agree	August 1, 2019	JoAnn Martin 503-945-8539

Narrative for Recommendation 5

DOR management will continue to complete efforts currently underway to address customer service challenges. Many initiatives have already been completed. Customer service will remain an ongoing focus for the agency.

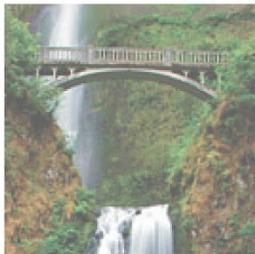
DOR management will evaluate current staffing levels and work flow to find opportunities where we may be able to resource share among the agency's various call centers. Currently, DOR has a manager assigned to review information gathered from customer service surveys and implements appropriate changes as identified. The agency will continue to evaluate opportunities to seek and resource an agency customer service coordinator position through the budget process or other potential resource repurposing. DOR will continue to train and educate employees on customer service expectations and will develop training plans that embed this activity in our operations. Currently, some areas of DOR use quality assurance reviews to ensure service and information is accurate and provided timely. The agency will ensure all areas within the call centers develop quality assurance review plans.

Please contact DOR Deputy Director Satish Upadhyay at (503) 945-8213 with any questions.

Sincerely,

Nia Ray, Director
Oregon Department of Revenue

cc: DOR Leadership Team



Audit Team

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About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of his office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the elected Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.

This report is intended to promote the best possible management of public resources.
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