

KAIZEN RESULTS

Increasing citizen satisfaction:

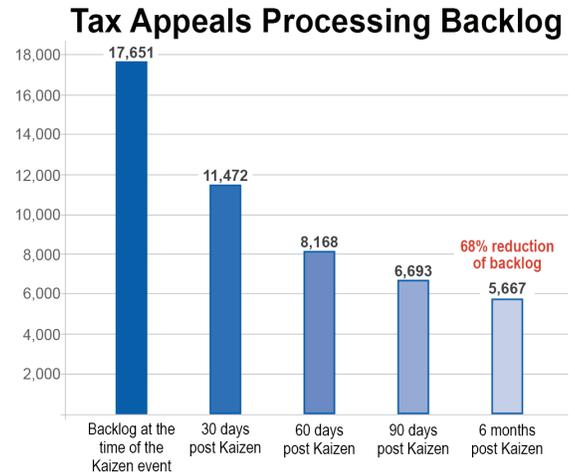
Taxpayers getting resolutions in one-tenth the time

IN BRIEF: For years, the tax appeals process was based on a “first in, first out” approach, with incoming taxpayer petitions and claims all moving through the system at the same pace. Not anymore. A Kaizen event got staff analyzing the old way of doing things, and they developed a much simpler process that saves time and money by steering cases to the right work unit right away.

FASTER RESPONSE: The waiting time for taxpayers has been sharply reduced – by 92% for most issues and claims. What used to take 100 days now takes about 8 days.

BACKLOG REDUCTION: The backlog is down 68% just six months after the Kaizen event. That’s 12,000 tax appeal cases that have moved from the files to finalization.

BETTER USE OF RESOURCES: Improvements have reduced labor costs per case from \$105 to \$7 in some instances. This applies to about 5,400 cases, for a labor-cost equivalent of \$529,200. Also, there are projected savings of \$63,000 due to automation improvements that reduce mail processing time, certified mail, and related expenses.



DETAILS

If you’re appealing a state-related tax assessment, the last thing you want is to wait...and wait...and wait. You want a resolution that’s done quickly and accurately.

That’s why a team at the Ohio Department of Taxation recently shook up its old way of doing things. During a Kaizen event covering five intense days in March 2011, they developed improvements that ensure faster service. A lot faster.

With the changes in place, most petitions and claims will now be processed and finalized in 45 days or less – compared to an old processing time that ranged from 18 months (for appeals on personal income tax assessments), to 23 months (sales tax appeals), to 32 months (commercial activity tax appeals).

That’s a reduction of 92% or more in the time it takes to go from petition to a final determination or corrected assessment. It all adds up to greater citizen satisfaction and quicker resolutions.

Under the old approach, incoming “petitions” arrived at four different entry points. From there they were filed off to various divisions. Differing policies and a duplication of func-

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BEFORE AND AFTER: Above is a map of the tax-appeals process before the team’s improvements. On the left is the streamlined process developed during the Kaizen event.

tions across divisions caused confusion and rework. Old cases got older, new cases got bogged down in the processing traffic jam, and the backlog of cases grew tenfold in six years.

With improvements developed by the team, decision-making is being pushed forward to the start of the process. Staff use guidelines and tools to process most of the petitions on a new fast-track basis, so there are fewer steps, fewer people involved, fewer handoffs, fewer delays – and faster outcomes for citizens.

In 2010, of nearly 13,000 newly filed petitions, some 8,720 cases were routed to the Tax Appeals Division for processing. Now, Compliance staff will handle most of these themselves – while forwarding the cases that call for the legal expertise that Tax Appeals brings to the table. It's expected that Tax Appeals will now be getting about 2,000 new cases per year – that's 8 new cases per day compared to the deluge of 34 per day under the old system. Now, staff attorneys can focus on cases that make the most of their legal know-how, and they'll have more time to resolve older cases.

It adds up to a wiser use of dollars. When you look at the number of cases that had been processed previously by attorney-level staff (at \$105 per case), and compare it to the increased percentage of these types of cases that will now be handled by others (\$7 per case), the projected savings in labor cost is \$98 per case. The team found that this switch applies to about 5,400 cases, for a total of \$529,200 over a year. There's even a projected costs savings of \$63,000 due to automation improvements that reduce mail processing time, certified mail, and related expenses.

At the 6 month review it was clear the new process is working. Despite receiving double the number of appeals they expected, and the loss of a few staff, they are now fast enough to process new appeals quickly and still cut into the backlog which has been reduced by 68% to date.

“This is powerful stuff,” said Ohio Tax Commissioner Joe Testa, speaking at the team's concluding presentation on its fifth and final day of work. “I can't believe how much you accomplished in a week.” ●



Team members include John Werkman, Carolyn Fox, Brad Marshall, Matt Hollis, Tonya Sekerak, Scott Howard, Chris Kantzer, Charlie Rhilinger, and Marge Brewer. **Kaizen facilitators** include LeanOhio's Rich Martinski, Gloria Calcara, Sue Kirby, and Bill Demidovich.



Tax Commissioner Joe Testa congratulates the Kaizen team after hearing them report on the transformative results they achieved.