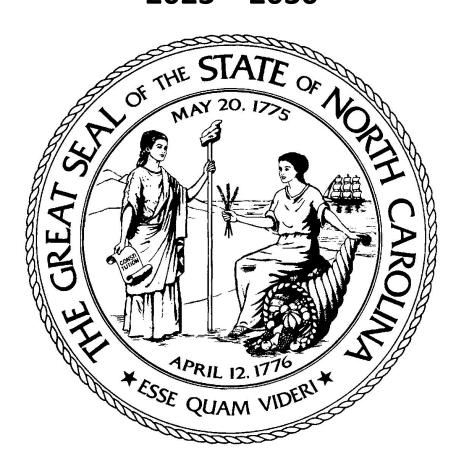# North Carolina Department of Revenue

Strategic Plan

2023 – 2030

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Contents

1. Strategic Plan Executive Summary

The North Carolina Department of Revenue ("NCDOR") is charged with administering the tax laws and collecting the taxes due to fund public services for the State. The NCDOR will carry out this mission in an impartial, consistent, secure, and efficient manner.

In 2018, after employee input, "secure" was added to the mission statement. The Strategic Plan focuses on increasing protection of the NCDOR's most crucial and sensitive assets, including sensitive taxpayer financial information, from external threats. As mandated by a new state law and the Internal Revenue Service, the NCDOR requires a higher information security standard than other State agencies. Thus, information technology resources are being realigned and relocated to meet heightened security standards.

The NCDOR will continue to modernize and innovate our systems for processing tax returns and enhance our on-line and telephony resources to improve taxpayer interactions and make it easier for taxpayers to comply with tax filings.

Like many other agencies, a challenge the NCDOR is facing is the recruitment and retention of talent amid increasing retirements. The NCDOR seeks to address this by creating a formal talent management program that is responsible for the alignment of competencies to business strategies. Overall, the NCDOR strives to cultivate an environment that encourages innovation in processes, technology, tax administration, and service delivery in order to carry out its mission and serve the people of North Carolina.

2. Mission, Vision, and Values

Agency Mission Statement

To fund public services benefiting the people of North Carolina, we administer the tax laws and collect the taxes due in an impartial, consistent, secure, and efficient manner.

Agency Vision Statement

Together, we are a SMART organization because we:

- Safeguard customer information
- Maintain a knowledgeable workforce
- Achieve a high level of understanding and compliance
- Respond with accurate information through innovative services
- Treat our customers fairly

Agency Values

The Agency has Core Values that are the expectation of all who work here:

- Professionalism
- Accountability
- Integrity
- Respect

3. Goals, Objectives, and Performance Measures

Goal 1 – Improve information technology capabilities, security, and manageability.	
Objective 1.1 Replace the legacy based Integrated Tax Administration System (ITAS) and related tax systems with a new, modern, integrated tax system.	**Performance Milestones** • Develop an RFP for the procurement of an integrated taxation system by August 2023 for review by DIT. • Release the RFP to market by the end of the calendar year2023. • Have a contract in place by second quarter 2025 and begin replacing tax schedules in June 2025. • Replace all schedules by beginning of 2030.
Objective 1.2 Complete migration from DIT services to outsourced systems or internal provided systems and services.	**Performance Milestones** • Implement the new DOR network and discontinue the use of the state network. • Implement a new DOR phone system and call center capability. • Implement Security Operations Center to improve monitoring capability. • Replace NCID with DOR ID solution that meets IRS publication 1075 requirements. • Migrate DOR public web presence and content to DOR network and data center/s

Objective 1.3
 	
Prepare to continue support of ITAS and prepare for the modernization of the integrated tax system.
	Performance Milestones
	
	• Digitize all paper assets into the Document Management System. Eliminate all file cabinets where possible.
	• Implement a DevOps capability for the Mainframe team. Implement a code vaulting capability. Populate the vault with current code and related documentation about the modules. Scan all modules in ITAS and for each:
	
	    o Document the Functional Flow
	    o Document the relationship between the Functional Flow and the relating modules.
	    o Compare Code and Documentation and identify gaps.

	○ Capture existing business rules. ○ Update Documentation Gaps based on what code analysis uncovers. ○ Upload source code for the module ○ Deliver the set of abstracted Business Rules to go into a Knowledge Repository - Build a training/onboarding program for each module in the Mainframe. - Cross train mainframe staff so that all modules are supported in the mainframe. - Ensure quality of data within the key systems ITAS and Portfolio Warehouse (PW) ○ Review all data and related data to ensure data quality and consistency in support of data conversion into the new system.

Goal 2 – *Diversity & Inclusion*	
Objective 2.1 - Demonstrate leadership commitment and accountability Demonstrate leadership commitment and accountability through agency policy, messaging, and behavior that advances diversity and inclusion goals and objectives.	**Performance Milestones** - Develop a strategic plan that aligns diversity and inclusion efforts with DOR strategic goals and objectives by December, 2023. - Create and implement a communications strategy that further elevates diversity and inclusion as a key strategic priority and reinforces leadership commitment by December, 2023. - Raise awareness by including information about diversity and inclusion on the DOR's external website, and maintaining other tools to provide updated diversity data to DOR Executive Leadership, by December, 2023.
Objective 2.3 – Build a diverse talent pipeline Pursue a comprehensive strategy to build and maintain a high-performing workforce drawn from all segments of American and global society.	**Performance Milestones** Engage with colleges and universities, including women's colleges, Historically Black Colleges and Universities, Hispanic Serving Institutions, Tribal Colleges and Universities, and other minority-serving institutions, through career fairs, networking and recruiting events by December, 2023.

	• Establish and maintain partnerships with minority, women, and other diverse professional associations to help develop and maintain a pipeline of diverse candidates for employment in professional DOR occupations by December, 2023
Objective 2.4 – Leverage diversity and inclusion for mission effectiveness Use DOR resources and services in a manner that reflects diversity of citizens and businesses.	**Performance Milestones** • Promote diverse participation and perspectives in all facets of the DOR's mission and in the DOR's Strategic and Employee Committees by June, 2023. Recruit additional partners for the Speaker Series 1/2023 • Ensure that diverse voices are represented in programming, such as agency-wide events, mission-focused training, advisory committee composition, and participation in roundtables and similar events by June, 2023.

Goal 3– *Agency EEO Commitment*

Objective 3.1 - Increase transparency around EEO metrics and encourage agency-wide participation in EEO initiatives
 	
Historically, EEO statistics and program initiatives have been reported annually, with the yearly release of the agency EEO plan. In an effort to increase transparency around EEO metrics, the Agency EEO Officer will provide more regular data and updates on EEO goals to Leadership.
	Performance Milestones
	
	• Beginning summer 2023, the Agency EEO Officer will provide the CEO, COO and HR Director with quarterly updates on EEO metrics including:
	   ○ Statistics on underrepresented groups and progress made towards meeting hiring goals
	   ○ Upcoming training opportunities
	   ○ Updates on previous training opportunities
	   ○ Policy and practice updates
	   ○ EEO complaint trends
	   ○ Running FAQ

Objective 3.2 - EEO Plan for Quality Sourcing and Diverse Pools
 	
Driving diversity and inclusion through the recruitment process by collaborating and integrating the agency's EEO Plan.
	Performance Milestones
	
	• Improve underrepresentation
	   ○ Identify resources for underrepresented categories with recruitment
	   ○ Provide quarterly updates to agency on recruitment and selection trends

Objective 3.3 – The DOR EEO Committee will develop and review strategies, systems, policies and guidelines to implement and enhance the Agency's Equal Employment Opportunity (EEO) Plan The committee will promote and foster education and outreach initiatives that showcase the agency's commitment to diversity and inclusion.	**Performance Milestones** • Sponsor training, events and other activities in support of the Agency's EEO goals • Collect and analyze data to inform DOR Leadership of the Agency's progress towards meeting its stated EEO goals

Goal 4 – *Engagement/OneDOR*

Objective 4.1 - OneDOR Metrics
 	
Engagement metrics will help improve the employee experience and also assist our efforts for program creation and strategy development based on employee feedback.
	Performance Milestones
	
	• Design, create, and maintain an engagement dashboard. The dashboard will help to understand the unique perspective of our audience, their wants, in order to improve their connection with the Agency.
	    – Employee Engagement Surveys by January 2024
	    – Net Promoter Score (eNPS) by June 2024
	    – Engagement Return on Investment (ROI) by October 2023

Objective 4.2 - Employee Mental Health and Wellbeing We are committed to raising awareness and providing education and resources for the prevention, intervention, and treatment of mental health issues for DOR employees, their families, and our communities.	**Performance Milestones** • Update current policies, practices and procedures to include a commitment to mental health and wellbeing. Putting mental health at the center of workplace policies is more important than ever as employees grapple with financial stressors, shifting workplace culture, and growing concerns about stress • Create Wellness Committee in alignment with OSHR policy by January 2024 • Provide education, outreach and resources to de-stigmatize mental illness by December 2024 • A focused effort on financial wellbeing to include money management, retirement resources, and future planning.

4. Highlights and Opportunities

Agency Highlights and Best Practices

2022 Accomplishments

Tax Administration Services

- The NCDOR opened the 2022 filing season with minimal delay to taxpayers despite not receiving the signed budget that included the tax changes until late November 2021. This was a four-month delay, as DOR usually has tax legislation for the upcoming filing season in July.
- The Department successfully stood up Phase I of the Business Recovery Grant (BRG) program while simultaneously standing up the 2022 tax filing season. DOR launched Phase I of the BRG within one month of it being signed into law. Phase 1 resulted in over $280 million being awarded.

Business Services & Support (BSS)

- Realized a 30% increase in NC-3 Annual Withholding Reconciliation forms received electronically after offering an additional service for server-to-server submissions and implementing the penalty for failure to file in the required format.
- The Procurement and Contracts Division actively participated in Historically Underutilized Business Program, resulting in agency participation of 13.06% for FY22, above the State goal of 10%.
- Opened the new Charlotte Service Center in May 2022 reducing the physical space by over 60% and installing enhanced security features.
- Implemented a new Document Management System with capability of submitting Power of Attorney forms electronically in January 2022. Improved average time to process electronic POAs to less than a week.

Tax Enforcement & Compliance (TEC)

- Fiscal year ending 6/30/22 realized $749 million in non-compliance assessments and $217 million in non-compliance collections prior to issuance of notice of collection
- $631 million in non-compliance revenue collected at conclusion of audit or in forced collection process
- Identified and stopped $37 million in refund fraud and identity theft refund fraud
- Hosted Interview Day event where we hired 38 staff members within 48 hours for our critical professional Auditor and Revenue Officer ranks. This effort resulted in DOR winning an FTA Award
- 10 criminal arrests involving embezzlement of trust tax funds, obtaining illegal tax refunds, and common law forgery resulting in $1.87 million in civil assessments
- As of December, 2022, there are 64 active fraud investigations. In that number, the Attorney General's office has 15 criminal tax cases in litigation hold with plea negotiations pending, and grand jury or trial settings scheduled for 2023.
- Criminal Investigations Division's Forensics program enabled the division to investigate and successfully prosecute a multi-entity family operated restaurant-bar business for embezzlement of sales taxes by a corporate officer in excess of $2 million dollars.
- The 2021 General Assembly retroactively amended G.S. 105-130.5(a)(32) and G.S. 105-153.5(c2)(20) in which taxpayers are not required to add to federal income the amount of otherwise deductible expenses paid with forgiven Paycheck Protection program (PPP) loan proceeds until tax years beginning on or after January 1, 2023. The Examination Division received over 30,000 PPP related amended returns in 2022 and approximately 80,000 amended returns in total. Central Examination successfully processed over 70,000 of these returns in 2022.

Office of the Taxpayer Advocate (OTA)

- From July 1, 2021 through June 30, 2022, OTA successfully resolved 1,541 cases, 434 of which were constituent referrals from the Secretary's Office, Governor's Office and General Assembly.
- From July 1, 2021 through June 30, 2022, we completed 527 Voluntary Disclosure audits and collected a total of $27,921,422.
- From July 1, 2021 through June 30, 2022, the Identity Theft team resolved 386 cases. During this same time period, 79 notification letters were sent to taxpayers to advise that a return had been filed using their social

security number. Also during this same period, 379 companies reported breach notifications to DOJ potentially affected 247,005 North Carolina employees. The Identity Theft team assisted Exams and worked 1955 review items.

Tax Research and Equity

- Led outreach efforts for Phase 1 and 2 of the BRG Program, which included hosting seminars for local Chambers of Commerce and small business organizations as well as partnering with the Historically Underutilized Business (HUB) Program at the Department of Administration.
- Partnered with the Office of Strategic Partnerships (OSP) at OSBM to engage a professor from North Carolina A&T State University's College of Business and Economics to produce a white paper on methods of taxing cryptocurrency in states around the country.
- Coordinated and hosted virtual and in-person events for the Department's summer internship program.
- Continued to provide revenue-specific data and statistical reports to Fiscal Research at the NC General Assembly and the NC OSBM for the purpose of preparing economic forecasts for the State.

OneDOR

- OneDOR and Department senior leadership traveled to all 12 service centers across the state to reward and recognize employees in Employee Appreciation/Service Awards/Leadership Update events. Since there is a direct link between recognition and motivation, we remain focused on recognizing employees for their hard work and dedication as a way of driving engagement.
- OneDOR launched the 6-4 Challenge in July to encourage the use of four (4) hours of community service per month for the remaining six (6) months of the year. The goal of the 6-4 Challenge is to increase agency visibility in making an impact in the community while further giving employees a sense of purpose. Since launching, DOR has increased community service hour usage by 11%.
- OneDOR Develops is a college familiarization program that introduces employees to accessible educational opportunities and it is a complement to the Academic Assistance Program. With an eye toward equity, this program helps to minimize barriers to post-secondary education and maximize student success. To date, five colleges including the NC Community College system have partnered with OneDOR to maximize student success. To date, five colleges including the NC Community College system have virtually hosted sessions with participation increasing at each session.

Potential Initiatives

(Insert a description of any additional initiatives that your agency envisions and would like to take on but does not currently have the resources to undertake).

Collaborative Opportunities

(Insert any identified opportunities for statewide or inter-agency collaborative initiatives that would yield significant efficiencies or improve effectiveness in State programs).