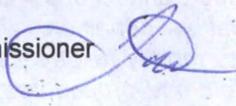




# Department of Taxation

Office of the Tax Commissioner  
30 East Broad St. 22<sup>nd</sup> Floor  
Columbus, Ohio 43215  
(614) 466-2166 Fax (614) 466-6401  
tax.ohio.gov

2013 FEB 15 PM 3:46  
OFFICE OF  
INSPECTOR GENERAL

TO: Randall J. Meyer, Inspector General  
FROM: Joseph W. Testa, Tax Commissioner   
DATE: February 15, 2013  
RE: RECOMMENDATIONS CONTAINED IN THE HYRE INVESTIGATION REPORT

The Office of the Inspector General (OIG) recently conducted an investigation at the request of the Department of Taxation (ODT) related to the actions of Kathleen S. Hyre while she was employed by ODT. In the report of investigation, OIG provided recommendations for possible opportunities for strengthening internal controls and business processes. This memo is provided in response to the recommendations made by OIA staff.

## Recommendations

1. Internally review the actions of all department employees to determine if their conduct and practices warrant further action or training.

### TAXATION RESPONSE

*Each employee's performance is reviewed at least annually, and performance improvement plans are put into place when appropriate. A variety of methods are used to monitor employee performance, depending upon the work area. For instance, all telephone calls from the public through the automated call distribution system are recorded. A supervisor periodically reviews these recordings and employees are coached, both on technical aspects of the call and on customer service aspects when needed.*

*As of December 2012, another tool became available to use in monitoring employee performance: the Integrated Tax Administration System (ITAS) Work Review Program. This report has been created to identify the actions of departmental employees that create financial adjustments within the ITAS system. A transactional data extract is automatically executed at the end of the month, and the results are made available to management staff to import into Excel. The report also has the flexibility to be run on-demand, with variable parameters such as date range, specific employee and specific reviewer. The reviewers examine the data, looking for patterns of abuse and for areas where agent training is needed. When a transaction is identified as suspicious, or if the transaction does not follow departmental procedures, the employee is brought into the supervisor's office for coaching or follow-up. Depending upon the situation, disciplinary action may be initiated. Reviewers document which transactions were reviewed and the results of that review utilizing the Work Review Template. Upon completion, the supervisory reviews are sent to ODT's Internal Audit Division where they are catalogued and stored.*

2. Create restrictions on employees' ability, based on position, to make changes in ITAS to taxpayer accounts without documented supervisor approval.

### TAXATION RESPONSE

*Role-based security restrictions are already in place. ITAS utilizes a combination of Resource Access Control Facility security groups and internal security controls. The supervisor approves the access level to be granted to an employee. Certain screens and even functions within certain screens are security driven.*

*For example, a mail clerk does not have access to ITAS. A researcher may have view only access to ITAS screens, but no ability to make adjustments to financial data. Tax Commissioner Agents have differing levels of security dependent upon their particular needs. For example, Agent A may be able to reverse a case in ITAS, but Agent B may not.*

*In calendar year 2012, more than 178,000 transactions with financial impact, such as moving payments or credits, transferring returns or abating penalties, were completed manually. Another 608,000 transactions were completed manually to modify taxpayer identification data, such as name, address or business details. When designing controls and procedures, ODT management considers the cost to be incurred and the benefit derived. A control has been put in place – the ITAS Work Review Program described previously – so as to mitigate the risk associated with the financial transactions. Periodically, management will review the operation of controls, evaluate their effectiveness and make modifications, as necessary.*

3. Develop and implement policies for employees who are authorized to make changes to taxpayer accounts on ITAS, including documentation of those changes.

#### **TAXATION RESPONSE**

*The Business Tax Account Modification Guide has been drafted and is undergoing final review before adoption. The implementation target is March 2013.*

4. Consider the benefits of segregating duties of opening the mail, logging the mail received, and processing the payments.

#### **TAXATION RESPONSE**

*In March 2012, ODT initiated a process improvement initiative to review the procedure for handling loose checks. Early in April 2012, the scope of the initiative was expanded to include all payments. In May 2012, the project team recommended that check processing at the Northland become centralized. This procedural change was approved. The Tax Processing / Data Capture Division was merged into Revenue Accounting and all checks received at Northland are now handled by that group. Agents who are located at Northland, including those divisions that handle ITAS taxes, stopped handling payments in October 2012. ODT is in the process of making similar revisions to the procedure for payments received at the State Office Tower. New policies are undergoing final review and are expected to be implemented in March 2013.*

*Thank you for allowing ODT the opportunity to respond to OIG's recommendations. If you need further information, please contact Marjorie Kruse, Deputy Tax Commissioner for Audit and Compliance, directly at 466-8525 or 995-1872 (Northland).*