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January 17, 2020

Performance Audit  
Recommendations and  
Corrective Actions for Audit:  
16-03

**PERSONAL INCOME TAXES**

Department of Taxes Collected  
About Half of 2013 and 2014  
Delinquent PIT, but was Unable  
to Assess the Effectiveness of Its  
Collection Methods

Dated: April 18, 2016

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# Overview

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The State Auditor's Office (SAO) makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations, although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities one and three years after the calendar year in which the audit report is issued. Our annual performance reports summarize whether we are meeting our recommendation implementation targets.

<http://auditor.vermont.gov/about-us/strategic-plans-and-performance-reports>

This report addresses the requirements of Act 155 (2012) to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state's financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our current contract for this work requires the contractor to provide the results of its recommendation follow-up.

Audit Number & Name	Rec #	Recommendation	Follow-Up Date	Status	Review Comments	
<a href="#">16-3 Department of Taxes: Personal Income Taxes (PIT) - DOT Collected About Half of 2013 and 2014 Delinquent PIT, but was Unable to Assess the Effectiveness of Its Collection Methods</a>	1	Decrease the self-cure period for low dollar cases of all risk levels and low/medium dollar cases of low and medium risk to 120 and 140 days respectively.	2017	Implemented	The Vermont Department of Taxes (VDT) implemented a new collection flow with Phase 3 VTax launch in December of 2016. Part of the new design was to decrease the amount of time before a collection case is assigned or sent to an outside collection agency (OCA). For example, new personal income tax (PIT) cases that are less than \$8,000 but greater than \$100 are sent to an OCA after the 2nd collection notice is sent to the taxpayer and the taxpayer is notified of pending placement with an OCA. As a result, new PIT collection cases between \$100-\$8,000 with no payments or installment payment agreement (IPA) in place, are sent to an OCA 150 days after the first bill is sent to the taxpayer. This is significantly less than the previous 270 day self-cure period utilized.	
	No further follow-up is required because the recommendation was implemented.					
	2	Until PIT is transitioned to VTax, utilize case data in ETM to periodically identify cases in status codes OCA - no lien, OCA notification, and invalid address with ages that exceed the self-cure period parameters and determine whether these accounts should be referred to OCAs.	2017	Implemented	The VDT reported that with the new collection system redesign, the new process prevents cases from not staging forward to an OCA if the case is eligible for OCA placement.	
	No further follow-up is required because the recommendation was implemented.					
	3	Once PIT is transitioned to VTax, utilize the VTax query that shows cases by collector, status code, and aging buckets to identify cases that have not followed the VDT's collection approach and develop a process to follow-up and address those cases that are not in compliance.	2017	Partially Implemented	The VDT reported that the launch of VTax in December 2016, work items and case stages have been put into place in the collections process to ensure these cases are in compliance. However, VDT did not provide evidence that they are utilizing VTax queries to ensure cases have followed the collection approach documented in the process flowchart.	
			2019	Implemented	The VDT has created a process to follow-up and address cases that are not in compliance and reported that they routinely monitor and review queries which show cases by collector, status code, and aging buckets to ensure cases are following the flow as designed.	
	4	Ensure the case workflow configuration for VTax is documented and contains adequate information, including definitions for all case statuses, the number of days a case remains in a particular status, and/or whether the case requires a manual adjustment to another status.	2017	Implemented	The case workflow for VTax has been mapped, case stages defined, and the timeframe for staging cases forward if specific conditions are not met has been documented.	
	No further follow-up is required because the recommendation was implemented.					

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<a href="#">16-3 Department of Taxes: Personal Income Taxes (PIT) - DOT Collected About Half of 2013 and 2014 Delinquent PIT, but was Unable to Assess the Effectiveness of Its Collection Methods</a>	5	Document the VDT collection strategy, including whether cases should be referred directly to an OCA, when it is appropriate for tax compliance officers to manually assign cases, and the preferred hierarchy of the use of the VDT's collection methods.	2017	Partially Implemented	The VDT provided a new process flowchart which shows which cases should be referred to an OCA. According to the VDT, a hierarchy of collection methods has also been identified and prioritized. However, tax compliance procedures which outline the expectations for all work items are still in the process of being finalized.
			2019	Implemented	VTax has been configured to have eligible cases automatically referred to OCA's. Additionally, the department developed procedures for collection work items to inform tax compliance officers at what point collection tools may be used, though more procedures are still needed. VDT reported that they also rely on VTax configurations and queue management to ensure cases proceed as expected and provided the State Auditor's Office with flow charts that document the VTax collections process.
	6	Ensure that VTax is configured to track all collection methods utilized by the VDT, including wage garnishment, bank levy, and suspension or revocation of professional licenses.	2017	Partially Implemented	The VDT provided draft copies of reports being developed to track collection methods but they have not been finalized.
			2019	Implemented	The VDT provided a sample report which showed the amount of collections for each collection method utilized by the VDT.
	7	Collaborate with the Vermont Lottery to revisit the possibility of implementing a process to facilitate offsets of delinquent PIT debt with lottery winnings.	2017	Not Implemented	The VDT reported they have not met with the Vermont Lottery yet but will be reaching out to them to set up a meeting to discuss the possibility of implementing a process to offset delinquent PIT taxes with lottery winnings.
			2019	Implemented	The VDT and the Division of Lottery established a memorandum of understanding and agreed to a process for offsetting lottery winnings against delinquent taxes.
	8	Develop and track performance metrics for collection operations, OCAs, and tax compliance officers.	2017	Partially Implemented	The VDT provided a draft copy of tracking metrics for OCA's and quarterly performance tracking which is being developed by the IT team at the VDT. The draft does not provide metrics for tracking performance of collection operations or individual tax compliance officers.
			2019	Implemented	The VDT has created reports for OCA performance; benchmarks for collections; and expectations for compliance officers' activities.