North Carolina Department of Revenue

Annual Resilience Report

March 2022

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Introduction

The North Carolina Department of Revenue (DOR) is a cabinet-level executive agency charged with administering tax laws and collecting taxes on behalf of the people of the State. The Department's mission is to fund public services benefiting the people of North Carolina by administering the tax laws and collecting the taxes due in an impartial, consistent, secure, and efficient manner. The Department collects taxes for over 20 different tax types, including individual income, corporate income, sales and use, motor fuel, alcoholic beverage, and tobacco taxes. The DOR collected over $39 billion in revenue during Fiscal Year 2020 -2021. The agency has over 1,400 positions and 13 offices across North Carolina which includes the main Revenue Building in Raleigh and 12 remote locations.

Overall Exposure

The primary climate stressors and hazards that impact general business operations, offices across the state, human resources and services provided to constituents include events such as hurricanes, floods, high winds, winter storms and power loss. Heat waves are anticipated to become more common, which may also cause power outages and infrastructure impacts, as well as health concerns for employees and residents. Any disaster event has the potential to impact one or more assets and the agency's ability to perform business operations. In such events, the DOR evaluates employee and public safety first and then the security of assets including tax information and data.

Assets, Regulations, Services	Extreme Heat	Flooding (River and Land)	Water Shortage (Drought)	Changed Seasons	Land-slides	Saltwater Intrusion	Storm Surge	Tidal Flooding	Wild-fire	Dam Failure
NC Department of Revenue	*	*			*		*	*	*	

Vulnerability & Risks

Agency assets which are most important and at most risk are employees, due to their location and ability to travel to an office, and the confidential information and equipment located in offices. Based on historical information, weather events are the most likely events that have the potential to interrupt business operations. While agency offices in the eastern part of the state typically are impacted by hurricanes and offices in the western part of the state are impacted by winter storms, we have found any weather event has the potential to affect any DOR office and staff. As such, each weather event is evaluated on an event by event basis to determine potential impacts.

The agency has an overall Business Continuity Plan with supporting plans and documents that focus on continuing operations based on different types of events and are used as part of resiliency planning and continued improvements. Such plans include but are not limited to:

- Continuity of Operations Plan
- Disaster Response Plan
- Crisis Management Protocols
- Crisis Communication Plan
- Major Incident Management Process – Weather Events

Based on the type of event, the plans and associated procedures guide the agency in responding.

Circumstances of any weather event impacting services provided to taxpayers are analyzed and the DOR adjusts business operations accordingly. The DOR's response to disasters is in some cases aligned to presidentially declared disaster areas and must follow specific federal and state statutes. In general, the agency understands the hardships experienced by taxpayers during extreme events. As a result, the agency adjusts processes such as examination and forced collection activities in certain negatively impacted areas while maintaining focus on the agency's mission. DOR employees are equipped with talking points and advised of payment and collections options in an effort to provide assistance to taxpayers during this stressful time. Based on severity of the event, DOR can launch a Hurricane Assistance option on its Interactive Voice Response (IVR) system so taxpayers impacted can quickly connect to an agent for assistance, include informational inserts with tax and collection notices, and in special circumstances, reset payment plans to avoid default.

Assets and Services

Main Revenue Building

Approximately 900 employees are assigned to the main Revenue Building located on Wilmington Street in Raleigh. Primary business operations include but are not limited to submissions processing, examinations, collections, tax administration and customer service. In addition, the Information Technology staff support a variety of systems and applications critical to business operations. Due to the number of employees assigned to this building and the technology infrastructure located at or accessed there, the main building is a key asset in supporting the agency's mission.

Contact and Service Center Remote Locations

While customer service is provided in all divisions of the agency, our Contact Centers and remote Service Centers are focused primarily on customer service and education. There are 12 service centers across the state which include contact center operations at two locations, Greensboro and Rocky Mount. The Contact and Service Centers are the first point of contact for customers requesting assistance initiated by calls accepted through the Department's toll free lines. Employees in these locations educate and assist customers by answering questions to ensure accurate tax reporting, assisting with payment plans and payment options and responding to refund inquiries. Taxpayers may also receive in-person assistance by visiting one of the remote service centers. Other Tax Enforcement and Compliance staff are assigned to

the Service Centers since these employees conduct business in all counties based on their assigned territories.

In addition to the risk of losing physical assets such as office space and/or equipment, health risks are also a consideration when offices experience flood damage. In some instances, mold has been identified after flooding requiring assistance from the Department of Health and Human Services to ensure a safe environment prior to employees returning to work. Heath risks of employees are also a consideration when heat waves occur.

Processing

There are also risks to local government entities if agency operations are disrupted to the extent returns and payments cannot be processed and tax distributions such as sales tax cannot occur timely. The ability for employees to work remotely and the availability of electronic filing services for taxpayers reduces risks associated with processing returns, payments and tax distributions.

Prioritize & Plan

Agency initiatives are prioritized and planned as part of normal business. Funding and resource requirements are considered as part of the planning process and budget requests submitted as appropriate. While a separate Utility Management Plan is maintained, there may be some duplication or coordination with initiatives included in the agency Resiliency Plan.

While plans exist to respond to different types of events, agency strategic planning incorporates improvements related to customer service and overall agency efficiency and effectiveness. Many of these initiatives by default support agency resiliency and focus on managing risks associated with disruption of tax collections and generation of refunds.

Activities

Activity	Status	Completion Date
1.0. Minimize Office Space		
1.1. Evaluate office space needs as leases expire.	Ongoing	N/A
1.2. Close Winston-Salem office	Complete	June 2021
1.3. Reduce Charlotte office footprint	Underway	Estimated: April 2022
1.4. Reduce Wilmington office footprint	Underway	Estimated: January 2023
2.0. Standardize Teleworking		
2.1. Identify jobs eligible for full time and part time teleworking	Complete	Summer 2021
2.2. Implement PC replacement plan to support full and part time teleworking	Underway	Estimated: Summer 2022
2.3. Update Telework Policy	Complete	October 2021
2.4. Determine remote office customer support model for the future	Complete	November 2021
3.0. Maintain Data Center Architectural Plans		
3.1. Maintain current state and future state architectural diagrams	Ongoing	N/A
3.2. Incorporate redundancy requirements in IT designs and solutions	Ongoing	N/A
3.3. Develop budget request to support critical IT operations	Complete	November 2021
4.0. Upgrade & Enhance Electronic Filing		
4.1 Develop a plan based on agency priorities for enhanced services	Ongoing	N/A
4.2 Complete designs and transition activities for Estates and Trusts electronic filing	Complete	February 2021
4.3 Expand ability to file NC-3 Annual Withholding Reconciliation forms and W-2s	Ongoing	N/A
5.0. Implement a Document Management System		
5.1. Design and implement solution for pilot power of attorney and correspondence initiative	Complete	January 2022
5.2. Identify business cases and prioritize future projects	Underway	Estimated: April 2022

Activity Progress

1.0   Reduce Climate Exposure by Minimizing Office Space

Weather events such as hurricanes, floods and winter storms impact employees' ability to travel to office locations thus impacting business operations. In order to be a more resilient agency and minimize operational disruptions, the agency has invested in and is committed to teleworking to the greatest extent possible resulting in an opportunity to reduce remote office footprints as leases expire. In addition, reducing office spaces reduces our climate exposure.

1.1   Evaluate office space needs as leases expire. Reduce office footprints.   *Ongoing*
Leases are reviewed quarterly to identify upcoming expiration dates so business needs and opportunities for reducing space can be analyzed.

1.2   Close Winston-Salem office   *Complete*
Due to the significant decrease in the need for on-site visits and the fact the agency has a Service Center in Greensboro, the office was closed upon expiration of the lease.

1.3   Reduce Charlotte office footprint   *Underway*
The Charlotte office is being reduced from 24,000 square feet to less than 10,000 square feet based on the increased number of teleworkers.

1.4   Reduce Wilmington office footprint   *Underway*
The Wilmington office is being reduced from 8,870 square feet to less than 6,500 square feet based on the increased number of teleworkers.

2.0   Standardize Teleworking to Support a Resilient Workforce

As a result of the pandemic, the agency was forced to move a significant number of employees to teleworking for safety reasons and to continue business operations. Adopting teleworking as a standard practice supports resiliency of the agency and its workforce to continue operations during various weather events such as hurricanes and winter storms.

2.1   *Identify jobs eligible for full time and part time teleworking*   *Complete*
Each job was evaluated and categorized as one of the following work modes: Onsite Only, Hybrid Teleworker, or Permanent Teleworker based on job duties.

2.2   *Implement PC replacement plan to support full & part time*   *Underway*
teleworking
Orders were placed for equipment to support teleworking such as laptops and headsets. Delays in product availability has impacted deployment of equipment; however, equipment is replaced upon receipt of products ordered.

2.3   *Update Telework Policy*   *Complete*
        The agency telework policy was reviewed and aligned with the state
        teleworking policy.

2.4   *Determine remote office customer support model for future*   *Complete*
        An appointment request application was provided for customers as
        service centers were closed to walk-in traffic at the beginning of the
        pandemic. In many cases, employees were able to assist customers over
        the phone eliminating the need for a visit to the office. The model has
        since been revised to open service centers on specific days and times by
        location to support walk-in traffic.

3.0   Maintain Data Center Architectural Plans to Support Redundancy
        While focus is placed on employees and plans to support resiliency of the workforce, efforts also
        include changes to the technological infrastructure. These efforts include development of a
        primary and secondary data center strategy and plan to support redundancy and disaster
        recovery. Plans also include a continued focus on use of cloud technologies to reduce risks
        associated with damage to physical assets such as buildings.

3.1   *Maintain current state and future state architectural diagrams*   *Ongoing*
        Technical diagrams are continuously reviewed and revised as changes are
        planned and implemented in order to support redundancy in providing
        services internally and externally to taxpayers.

3.2   *Incorporate redundancy requirements in IT designs and solutions*   *Ongoing*
        Redundancy requirements are included earlier in projects to support
        agency resilience and reduce the risk of service interruptions internally
        and externally.

3.3   *Develop budget request to support critical IT operations*   *Complete*
        A budget request was developed to support critical IT operations. SB105
        included funding of $12.5M to support critical technology required for
        tax collections and processing.

4.0   Upgrade & Enhance Electronic Filing to Promote Operational Resiliency
        Enhancing and expanding electronic service offerings reduces paper submissions and the
        associated manual activities requiring on-site staff and supports the agency's resiliency objectives.

4.1   *Develop a plan based on agency priorities for enhanced services*   *Ongoing*
        A list of new and enhanced electronic services is maintained and
        prioritized. The demand is reviewed and plan updated annually.

4.2 *Complete designs and transition activities for Estates and Trusts electronic filing*   *Complete*
Estates and Trusts electronic filing was added as a service which should reduce paper submissions and associated manual processing.

4.3 *Expand ability to file NC-3 Annual Withholding Reconciliation forms and W-2s*   *Ongoing*
More NC-3 Annual Withholding Reconciliation forms and W-2s can be filed directly through certain software products. Continuing to work with entities interested in offering this capability to customers.

5.0   Implement a Document Management System to Support Operational Efficiency
The Document Management System will enhance operational efficiency by offering more online request options and eliminating the physical mailing and distribution of taxpayer correspondence to staff at headquarters, service centers, and teleworkers for processing; staff will work from electronic submissions which are automatically routed through the system based on business rules or virtual images of scanned paper correspondence. Management will be able to assign/reassign inventory of work as needed which is especially important during a disruptive event and supports operational resiliency.

5.1 *Design and implement solution for pilot Power of Attorney and Correspondence initiative*   *Complete*
The pilot project included electronic submission of Power of Attorney forms and scanning and routing of certain types of paper correspondence. Design and development activities occurred in 2021 with soft launch of the solution in early January 2022 and full production in February 2022.

5.2 *Identify business cases and prioritize future projects*   *Underway*
Demand for future projects was captured in 2021 and requests are being evaluated in order to develop a roadmap for expanded use of the system. Requests will continuously be added to the list and prioritized based on customer impact and business need.

Looking Ahead

As a result of COVID-19, DOR transformed from a workforce of 5% teleworking to over 90% teleworking. The pandemic required the agency to react and demonstrate resiliency in order to continue processing returns, payments and refunds and provide services to taxpayers while focusing on the safety of employees. As the workforce is now working remotely and maintaining business operations, teleworking has and will continue to be a more standard workforce model, making the agency more resilient to natural and climate disasters.

Looking to the future, focus will be placed on equipment and solutions to support virtual training, presentations and meetings. Training rooms and meeting spaces will be equipped with cameras and the infrastructure to provide a better virtual experience.

Opportunities to enhance electronic services offered to taxpayers will continue to be a primary focus as well as expanded use of the Document Management System. Projects will continue to be identified, prioritized, planned and implemented.