

**Commonwealth of Puerto Rico  
Tax Reform Assessment Project**

*Human Resources Plan*

*November 24, 2014*

# Table of Contents

1. Introduction .....	3
2. Background .....	4
3. Current organizational improvement opportunities.....	5
3.1 Organizational Structure .....	5
3.2 Personnel Structure .....	6
4. Proposed organizational structure.....	10
4.1 Organizational Structure.....	10
4.2 Human resources personnel management.....	14
4.3 Human resources role definitions.....	16
4.5 Human Resources performance management.....	17
4.6 Proposed Staffing.....	18

KPMG's role is limited to the services and deliverables articulated in the Contract for Professional Services dated March 18, 2014 as subsequently amended (the "Engagement Contract"). It is understood that any actions taken by the Government of the Commonwealth of Puerto Rico related to those services and deliverables may involve numerous factors that are outside of the Contract's scope. KPMG's services and deliverables cannot take such factors into account and, therefore, recommendations for such actions are not implied and should not be inferred from these services and deliverables. Further, while such deliverables may include analyses of certain legislative initiatives, no service described in the Engagement Contract and/or subsequent amendments will involve advising the Department regarding lobbying or other public policy advocacy activities related to legislation or regulation, including evaluating the likelihood of enactment of any proposed initiative or providing advice to the Department as to methodologies to ensure enactment. KPMG cannot undertake any role in connection with the Contract services that could be deemed lobbying, public policy advocacy, or impair the independence of KPMG as an auditor for the Department of the Treasury such as drafting legislation and engaging in implementation assistance.

# 1. Introduction

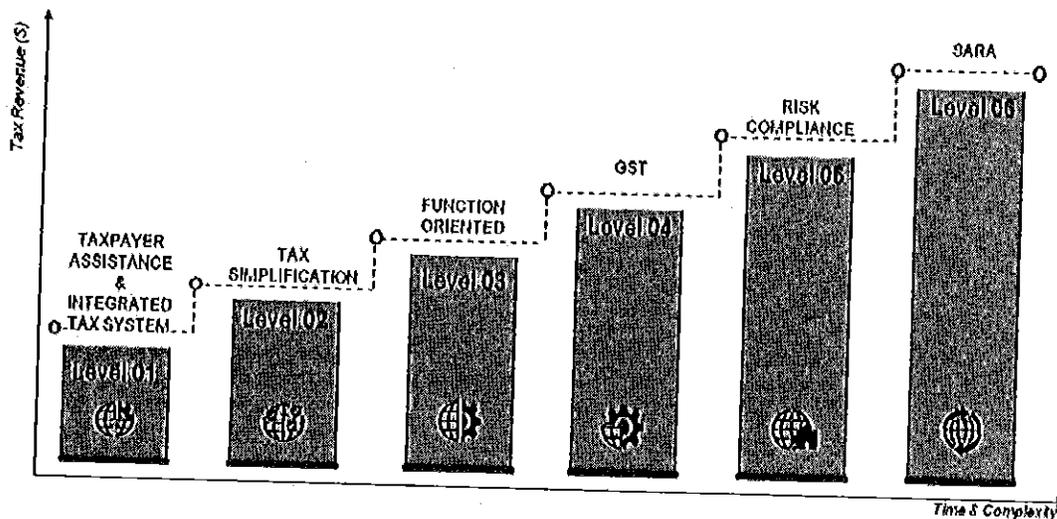
The purpose of this Human Resources Plan is to document general principles, concepts, and policies that govern Human Resources activities and processes within a desired to-be organizational structure for the Department. Human Resources Plan requirements may constitute a framework for the Department in an efficient and effective manner while ensuring compliance with laws, rules, and regulations.

This Human Resources Plan, involves key activities that relate to attracting, developing, sustaining, managing, and retaining a high-quality and diverse workforce. In addition, this document provides the Department with tools to properly plan, develop, organize, and accomplish core programs and operations in a to-be organizational structure. The Human Resources Plan objective is to position and prepare the Department with the tax reform transformation through the lens of preparing the Department's workforce.

## 2. Background

KPMG assessed the Puerto Rican tax structure to develop a set of alternative scenarios for the Department of Treasury (Department) to evaluate how a new tax administration will provide improved compliance rates and tax revenues through a more streamlined and effective system combined with a more effective oversight.

The methodology used to assist the Department in achieving these objectives required an understanding of how the Department currently operates and performs. The understanding of the Department's current state (see *Generic Actual Operating Model* document) was used to outline actionable and implementable opportunities for the Department to consider in the *Prioritized Opportunities to include in the Target Operating Model (TOM)* deliverable. The TOM opportunities are shown in the capabilities evolution graphic below.



In order to achieve a successful tax reform transformation, the following human resources considerations should take place:

- " Clear understanding of what is happening and why the transformation is important
- " Quick adaptation to the new environment
- " Progressive development of the skills and knowledge needed in the transformation
- " Acceptance of the new organizational structure within the transformation; reinvigorated workforce with high levels of productivity
- " Demonstration of high levels of performance in the new roles
- " Foster a stable work environment; minimize the risk of employee resistance to change

The Human Resources plan focuses on the Internal Revenue Area (IRA) and the Tax, Fraud and Investigation Area only.

### 3. Current organizational improvement opportunities

This section documents the current organizational improvement opportunities with the tax administration structure: the Internal Revenue Area and the Tax, Fraud and Investigation Area. Areas for improvement include:

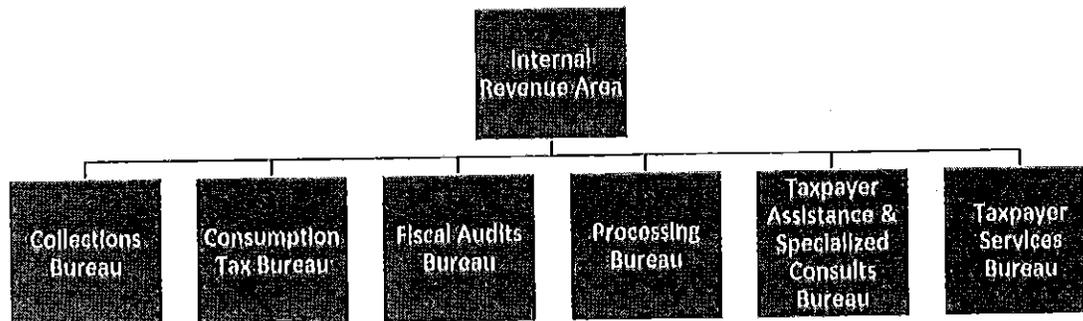
1. Organizational Structure
2. Personnel Structure

#### 3.1 Organizational Structure

The IRA is currently responsible for the tax administration which include the following tasks: receiving, processing and collecting individual, corporate and consumption tax revenues.

The Internal Revenue Area contains six bureaus:

- " Collections Bureau: Responsible for collecting taxes which are due, assessed and delinquent using enforcement measures
- " Consumption Tax Bureau: In charge of the inspection, audit and compliance of the sales and use tax (IVU) and excise taxes
- " Fiscal Audits Bureau: Monitors compliance by selecting filed tax returns to audit and verify the income, expenses and supporting information provided by the taxpayer and making recommendations of cases that require further collection
- " Processing Bureau: In charge of the registration, filing, processing and archiving of taxpayer declarations and forms
- " Taxpayer Assistance & Specialized Consults Bureau: Responsible for analyzing and processing taxpayer objections and appeals, including judicial reviews and hearings
- " Taxpayer Services Bureau: Provides information to the taxpayer to help them comply with their necessary requirements and obligations



## 3.2 Personnel Structure

The following pages describe the current hierarchical structure of the Internal Revenue Area bureaus, highlighting the different divisions and sections, total number of staff and the leadership position they report to. The current structure of the Department is noted below:

**Department of the Treasury (Secretary and Under-Secretary)**

**Supporting Areas, Advisory Areas and Operational Areas (Assistant Secretaries and Under Assistant Secretary)**

**Bureaus (Directors and Sub-directors)**

**Divisions (Chiefs of Divisions)**

**Sections (Supervisors or Team Leaders)**

The IRA is the only Area within the Department that has bureaus.

When a leadership role is vacant in a division or section, a lower level employee voluntarily accepts the appointment to division or section leader on an interim basis. Interim supervisors or team leaders can distribute workload, coordinate operations and recommend procedure changes but they cannot initiate disciplinary actions towards represented labor personnel.

### 3.2.1 Workforce

The internal revenue area has a total of 2,210 employees (as of April 2014). The personnel are classified into 3 categories:

1. Permanent: staff hired directly by the Department
2. Contracted: personnel that are contracted through external third parties
3. Temporary: staff hired directly by the Department but for a defined period of time

The table below lists the number of permanent, contracted and temporary workers by bureau in the central and field offices.

Bureau	Permanent	Contracted	Temporary	Total
Collections	566	277	5	847
Consumption Tax	398	5	0	403
Fiscal Audits	229	1	7	237
Processing	192	158	0	350
Taxpayer Assistance and Specialized Consults	37	25	0	62
Taxpayer Services	100	141	1	242
Tax Fraud and Investigation	67	2	0	69
<b>TOTAL</b>	<b>1588</b>	<b>609</b>	<b>13</b>	<b>2,210</b>

### 3.2.2 Current Leadership Situation

The following table shows the total numbers and corresponding percentage of the current manager positions throughout all levels of the Internal Revenue Area.

- " Permanent: Permanent leadership positions where personnel are full time Department Director, Chief and Supervisors
- " Interim: Leadership positions filled with Team Leaders working as interim Director, Chief or Supervisors
- " Vacant: Open leadership position vacancies

Managerial Positions	Total	Permanent	%	Interim	%	Vacant	%
Directors	6	5	83%	0	0%	1	17%
Chiefs of Division	17	8	47%	4	24%	5	29%
Supervisors	81	45	56%	29	36%	7	9%

Observations:

- " *Directors*: The Taxpayer Assistance and Specialized Consults Bureau is without a formal Director
- " *Chief of Division*: 24% of the current positions are filled by a Team Leader on an interim basis and 29% of the positions are vacant.
- " *Supervisors*: 36% of the current Supervisor positions are filled by a Team Leader on an interim basis.

### 3.2.3. Human Resources Overview

Currently there are 10 employees in the Human Resources Area. They are grouped as follow:

- " One (1) Labor Affairs Director
- " One (1) Labor Affairs Clerk
- " One (1) HR Assistant Secretary
- " Two (2) in Recruitment Section
- " Two (2) in Appointment Section
- " Two (2) in Classification Section
- " One (1) Office Receptionist

The following table provides an overview of the opportunities identified in the *Generic Actual Operating Model* and the *Roles & Job Descriptions Assessment Report*.

Observation Area	Observation
Hiring and Recruitment	The Hiring and Recruitment process starts when an Area or Bureau reports the need to fill a vacancy. HR Area then posts the general information about the position on: <a href="http://www.hacienda.gobierno.pr/convocatorias/index.html">http://www.hacienda.gobierno.pr/convocatorias/index.html</a> , for external and internal interest. Also, the vacancies are published on bulletin boards and on the Government Agency websites. The job post has

Observation Area	Observation
	<p>to be posted for 10 days according to the HR policies and procedures, however, these positions are posted for more than 10 days in order to get more potential candidates.</p> <p>For each vacancy, the HR Area has to interview ten (10) candidates according to the Department's policies.</p> <p>The hiring and recruitment process takes about three (3) months per candidate. For each interview, an HR representative has to be present in order to ensure the transparency and smooth execution of the complete process.</p>
<b>Position Name</b>	<p>The majority of position names do not correspond to the functions or roles of the position except for the Bureau's Directors and Assistant Secretaries. For example, the classification "Tax Technician" is used for employees in all the bureaus of Internal Revenue, performing different functions for the various services provided by Internal Revenue. The "Tax Technician" current job description includes activities from all the bureaus.</p>
<b>Job Promotions</b>	<p>To promote employees, HR policies proscribe that the employee has to be working one (1) year for the Department. The employee's Supervisor must submit a request for promotion and assess the employee through a Performance Evaluation. Also, there is a review and appraisal from the HR Area. Once all the requirements are completed, the HR Area has to give the final approval.</p>
<b>Salary and Job Classification</b>	<p>The Salary &amp; Job Classification were last updated in 1996. The HR Area has selected a consultant company to update and redesign the Salary and Job Classification. The project has been put on hold due to budgeting and fiscal issues, but must be implemented no later than 2015 under recently negotiated collective bargaining agreements.</p>
<b>Succession Plan</b>	<p>Currently there is no applicable Succession Plan within the Department. In previous interviews within the Internal Revenue Area, KPMG has identified no knowledge transferring process. Also, on some core positions there is only one employee performing those duties or activities.</p>
<b>Performance Evaluation:</b>	<p>Employees are assessed a probationary period once they are hired. New employee performance evaluations are performed on the date in which the employee reaches one year of fulltime Department employment. The performance evaluations are based on each Bureau's objectives and its results are taken in consideration for an employee's future promotion.</p>
<b>Staffing outsourcing</b>	<p>Based on interviews with the HR Area team, the expenses paid for professional services to KELLY Services and Caribbean Temporary Services (CTS) reaches up to USD10.0m per year. Kelly and CTS are external consultants that recruit and hire some of the operational positions, including some core positions for the Internal Revenue Area. These employees are paid by the external company and are assessed by their Department Supervisor.</p> <p>Based on interviews with the Internal Revenue team, the large number of interim appointments to leadership roles can be attributed to the growing number of Department vacancies. Additionally, some Supervising positions remain unfilled for issues related to political matters.</p> <p>The "Team Leader" role is a common, but unofficial term by the Internal Revenue Area. The Team Leader position has not been reviewed and</p>

Observation Area	Observation
	approved by the HR Area. This role is commonly referred to as an "Acting" Supervisor within different Bureaus of the Internal Revenue Area.
<b>Trainings</b>	The Department's Training Academy provides an introductory course for all the new hires. Currently, the HR Area has developed and established, with the support of all the Directors and Supervisors, a Supervisor Training Academy Plan up to 2016. This Training Plan includes topics such as: Skills Development, Managerial Development, Project Management, and Organizational Topics. The Training Plan also includes the required training hours needed and the possible trainers/providers. Also, according to the Department's policies each employee has to perform 20 hours of ethical and moral course every two (2) years.
<b>Benefits</b>	Employees from the Commonwealth of Puerto Rico receive attractive benefits compared to the private sector. The common benefits include: thirty (30) days of vacation time, eighteen (18) days of sickness leave, Christmas Bonus of 1200 USD, Medical & Hospitalization Insurance, Daycare Center, Holidays, Retirement Plan, Employee Associations with a savings program, Services Discount, credit cards and loans with competitive interest rates. Additionally, only the Collector position, under Law 95, can achieve a Collection Bonus.
<b>Human Resources KPI's</b>	Currently, the HR Area has not identified KPI's and CSF's in order to evaluate its success, or to evaluate the success of a particular activity in which it is engaged. According to interviews with the HR Area team, they are including to start measuring KPI's on their HR Strategic Plan for the upcoming 2015 fiscal year. However, the HR Area team has at their disposal reports such as: headcounts, labor case management and hiring process.

## 4. Proposed organizational structure

The implementation of this HR Plan will become a core component for the success of the organizational transformation initiatives. The Department may need to change the organizational structure, and level of support efforts, to effectively operate the systems, execute the updated or new operational processes, and manage the risk based compliance approach.

### 4.1 Organizational Structure

The model designed for the proposed organizational structure includes a function-oriented structure and a semi-autonomous revenue agency (SARA) with a Board of Directors. Below, you will find the proposed organizational structure diagram.

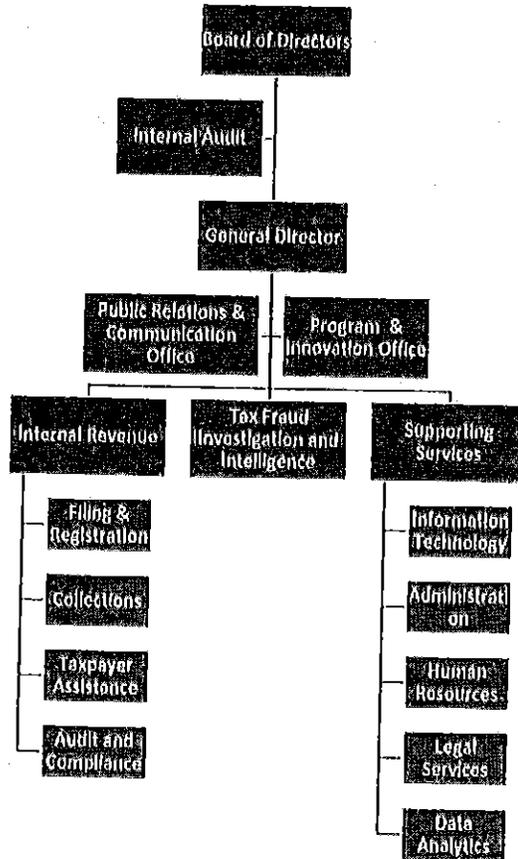


Figure 1 - Proposed Organizational Structure

## **A. Board of Directors/Advisors**

A management advisory board will be interposed between the revenue body and the Department of the Treasury to provide a degree of independent advice on the plans and operations of the tax administration arrangements in general.

Functions: Evaluates, verifies and approves the SARA strategic plans, draft annual budget, reports of performance, annual reports, important decision concerning the revenue body, building and facilities, human resources strategies, information systems development and the interaction with other key government agencies. It has no authority in the administration and enforcement of legislation (this remains a responsibility of the Department of the Treasury) and has no access to confidential information of taxpayers.

Composition: The Board is made up by the Secretary of the Treasury, and five other members (comprising public and private sector representatives).

## **B. Internal Audit**

In charge of conducting periodic reviews in order to ensure that the operations, regulations and administrative processes are being conducted following the correct standards and are being implemented efficiently and effectively, including the analysis and verification of accounts, financial transactions and reports. Develop and implement audit programs, evaluate the efficiency of the financial operations, recommend improvements and new procedures, assist operating managers to review and develop new IT systems and applications, provide internal controls needed for the audit of the IT systems. This department also performs ethics and integrity investigations.

## **C. General Director**

The General Director's office is responsible for the strategic and operations planning of the revenue agency. The General Director develops long term strategic plans and the drafting, implementation and monitoring of the annual work plans for all the departments, in order for them to be consistent with the objectives of the strategic plan. The General Director should be appointed to serve a term no shorter than 10 years.

## **D. Public Relations and Communications Office**

Responsible for organizing press conference, dealing with news media on matters that involve the Revenue Agency, and perform outreach campaigns to influence taxpayer behavior.

## **E. Programs and Innovation Office**

In charge of special projects like: Process Improvements, change management projects, performance management, continuous improvement projects and procedures updates.

## **F. Internal Revenue**

### **a. Filing and Registration**

Accounts Management Unit: Receive tax filling form electronically or through the mail, enter the key data required of the taxpayer at the time of registration like name, type of legal entity, business registrations details or id number, actual or estimated annual

turnover and the type of tax that's being applied. Deregister taxpayer that have ceased trading, deceased or have changed a legal form. Process forms from behalf of the taxpayers, individual and corporations. Prepare pre-filled forms and send them to the respective taxpayer, received approved/filled form from behalf of the taxpayer, process information on the tax system and verify if corrections are needed. Send tax forms that need corrections or additional information to the Taxpayer Services Department, in order for them to contact the taxpayer.

**b. Collections**

*Collections:* Perform the collection of delinquent debt from corporate and individual taxpayers. Receive and distribute delinquent debt cases among the districts, visit taxpayer addresses to ensure compliance, negotiate payment agreements. This unit will count with a call center that will also perform the notification, collection and negotiation of payment agreements through phone calls and e-mails.

*Special Procedures:* In charge of dealing with debtors that have filed for Bankruptcy, perform wage deductions from government employees.

*Virtual Collections:* Receive payments from e-payments application and from the Banks that provide the collections services to the Internal Revenue Agency.

**c. Tax Payer Assistance**

*Service Centers:* Maintain and update taxpayers registers, respond to general inquiries related to registration, filling, payment requirements, basic tax law and guide taxpayer to other departments (if necessary). Respond to specific inquiries from corporate and individual taxpayers that required a deep understanding of the tax code. Respond to queries from behalf of the corporate taxpayers (small and medium). In charge of providing customized face-to-face and phone service to a select group of large corporate taxpayers.

*Call Center:* Respond to general inquiries through the phone or online to all taxpayers. Contact taxpayer who need have missing/incorrect information on their tax filling form, also contact taxpayers who have a delinquent debt to remind them of make the necessary payments.

*Taxpayer Education:* Coordinate taxpayer education, develop informational publications for taxpayers, conduct seminars about changes to the tax laws and procedures, monitor through surveys the feedback from the taxpayers in order to determine needs for further education, changes of procedures and administration changes, develop and maintain the content of the tax revenue agency website.

**d. Audit and Compliance**

*Fiscal Audits:* Develop and update programs, policies, guidelines and procedures to perform audits, design the risk analysis standards to select cases for examination. The main responsibility is to classify, select and assign cases for examination among the districts offices. A unit will be specialized in providing customized audits to a select group of large corporate taxpayers.

*Compliance:* Develop the annual inspection plan, perform inspections on the different corporations and ports to ensure detect cases of tax evasion. Perform enforcement methods in order to generate compliance from behalf of the taxpayer. A unit will be

specialized in providing customized inspections to a select group of large corporate taxpayers.

## **G. Tax Fraud Investigations and Intelligence**

Conformed by a group of experts that identifies and investigate financial crimes performed by a taxpayer. Receive recommendations from the Intelligence Division of potential fraud cases and perform a full-scale investigation using different tools and investigative methods in order to reconstruct the taxpayer taxable income. Tax fraud investigations also involve cases of tax evasion of taxpayers who are not registering, filing and paying their taxes.

## **H. Supporting Services**

In charge of managing the main administrative units of the SARA, which are Information Technology, Human Resources, Administration, Data Analytics and Legal Services. Responsible for analyzing and planning the operation of these areas:

### **a. Information Technology**

This area is responsible of managing all electronic resources, like applications and systems. They provide the technologic support for all the core functions of Internal Revenue Area. It is divided into the following divisions:

*Infrastructure:* Servers administration, communications equipment administration, physical access security, servers and communication equipment maintenance.

*Operations:* Technical support and help desk administration, development and implementation of disaster recovery strategies, information backup administration and data tape library administration, as well as servers and communication equipment monitoring.

*Applications:* Management and development of new applications, data base administration and user's key access administration

### **b. Administration**

*Finance:* Generate monthly, tri-monthly and annual financial report. Budget preparation, budget administration, cost allocation, accounts payable, payroll management and billing.

*Management:* Manage contracts for rent and external provider, procurement, coordinate the maintenance of the different offices and evaluate future providers and monitor actual service providers. Provide Technical assistance to service providers

### **c. Human Resources**

*Recruitment and Retention:* Recruit new personnel for the Internal Revenue Agency, establish selection criteria, conduct job analysis, interviews and test applications. Also promote career development throughout the personnel and manage succession planning.

*Training and Development:* Design and implement the annual training plan. Conduct trainings or contact providers for specific trainings, develop career plan for all the employees of the internal revenue agency.

*Compensation:* Establish compensation philosophies and practices and create payment structures.

*Labor Affairs:* Establish policies and procedures, codes of conduct, manage all cases involving labor laws.

#### **d. Legal Services**

Provide legal interpretation of tax laws and regulations, and representation of the tax administration in judicial forums, including tax appeals. Perform all the necessary legal labor related to the prosecution of a tax fraud case.

#### **e. Data Analytics**

Define the risk compliance profile that would determine the group of taxpayers that could be performing fraud or evasion. Gather potential fraud cases through anonymous informants or referral from the Tax Enforcement and Collections Department. Perform the necessary data analytics to in order to recommend if a full investigation is needed from behalf of the Fraud Investigations Division or to Audit and Compliance in order to determine if the taxpayer is evading. They also perform their own information gathering by analyzing a determined group of taxpayers.

## **4.2 Human resources personnel management**

### **4.2.1 Hiring and Recruitment Process**

As the future Revenue Agency might be composed by new staff and functions it may be necessary to create new positions in order to fulfill these responsibilities.

For the creation of a new position, KPMG recommends the approval from the Human Resources Assistant Secretary and the Director of the department where would be part of.

#### ***Clearance to fill vacancy***

Only when the creation of a new position is approved, it can be declared as vacant. To start with the recruiting process, appropriate clearance should be sought

#### ***Attracting the right candidate***

The Human Resources can advise the line management in selecting the appropriate recruitment method

#### ***Application process***

Candidates who wish to be considered for a vacancy should submit a letter of application and their detailed curriculum vitae to the Human Resources Area. If necessary, the application

screening process may be facilitated by using a standard application form. Applications received after the deadline should not be considered, unless there are valid exceptional circumstances.

#### *Evaluation and selection*

The Human Resources Area may assist in discarding applications that do not fulfill the minimum requirements of the position. The concerned line director or supervisor shall establish a short-list and return to the Human Resources Area to coordinate interviews.

#### *Notification to candidates*

The Human Resources Area may inform all candidates of the outcome of their applications. The selected candidate should be formally appointed.

KPMG suggest that SARA implement strategies to inform employees, applicants and the general public of the profile base and recruitment plan.

The IRA should actively recruit from a variety of sources in order to achieve a diverse workforce that successfully meets the needs and demands of the future IRA.

The hiring Supervisor with assistance and guidance from the Human Resources staff will:

- Assess the need for the position to insure it contributes to meeting the goals, objectives and mission of the work division or unit.
- Conduct a job analysis including a review of duties, responsibilities and qualifications of the position
- Review the position job description if it's necessary.

Chief of Division and Supervisors should be responsible for evaluating the needs for filling vacant positions; maintain accurate and updated job descriptions for subordinate jobs along with the Human Resources Area.

#### **4.2.2 Succession Plan**

The Succession Planning should be consider in the future IRA planning processes, and corresponds with Human Resource gap analysis. The process itself should be flexible and adaptable, and can vary depending on the needs and structure of the Revenue Agency, but the critical elements involve the knowledge of what and where the core/critical positions are, the development of competency requirements, and the development of a talent pool to acquire these competencies and skills.

KPMG recommends when undertaking the Succession Planning process, there are general requirements which could be considered:

- Identification of key positions – through the workforce planning gap analysis and roles and jobs description assessment.
- Identification of core position competencies – establish requirement for position; basis for learning/development plans; means to assess potential candidates.
- Identification of potential candidates – self-identification or supervisors identification
- Assessment of potential candidates – screening process to identify both short- and

long-term candidates

- Create, development and assess plans – through individual learning plans, create a career development needs of employees and monitor and measure the succession planning progress.

### 4.3 Human resources role definitions

Considering the Capabilities Evolution that will IRA would be adopting, KPMG recommends the Roles & Job Description should be review and update annually, normally during the performance evaluation discussions. The position description should be used as a basis for the position evaluation process.

#### 4.3.1 Director Management

The Director Line Management should be responsible for providing an approved position description to HR when submitting a request to create a new position and/or when the recruitment process for a vacant position has been cleared to start. This document should be used as a basis for the recruitment process and it will also be an integral part of the staff member's contract.

Key Roles to Create New Positions	
Director Management	HR Area
<ul style="list-style-type: none"><li>• Attaches a position description to all requests to create new positions or to fill vacancies</li><li>• Ensures position descriptions are kept up to date and approves changes to position descriptions in agreement with the staff members.</li></ul>	<ul style="list-style-type: none"><li>• Provides a generic format for all position descriptions.</li><li>• Follows the position evaluation process when required.</li><li>• Keeps a file of all position descriptions for the duty station</li></ul>

#### 4.3.2 Updating

Position descriptions may be revised by the staff member concerned, when duties and responsibilities change, provided that the line manager approves. Revised position descriptions can then provide the basis for a re-evaluation of the position and further re-classification at a new function group/ grade

#### 4.3.3 Format

Roles and job descriptions should provide personnel with clear direction and understanding of primary job functions. The following responsibility elements should be included in every job description:

- a. **Job title:** Name of the position identified within the walkthrough and process modeling
- b. **Bureau:** Refers to the main unit the position belongs to
- c. **Location:** Indicates the place or district where the position is performed
- d. **Mission:** Refers to the purpose of the position assessed

- e. **Roles and responsibilities:** Describes the main functions and duties performed
- f. **Skills and specialized techniques:** Describes the necessary knowledge to carry out the performed tasks
- g. **Competencies:** Refers to the abilities that the occupant of the position may need to carry out the tasks and responsibilities efficiently

#### 4.3.4 Position Classification

A position can be classified to a specific function group/grade only after a comprehensive position description is developed. Classification is then done by evaluating the position description.

### 4.5 Human Resources performance management

Performance management is a primary tool to reward strong personnel performance and identify individual career development goals. Measuring performance helps to identify gaps within Department personnel skillsets and performance output.

The Department should consider conducting compensation surveys within comparable public and private sector organizations to facilitate a competitive workforce. The survey is an assessment of the market trends, providing the Department with the means to adapt to changing conditions and provide compensation opportunities that are appropriately competitive within the markets.

#### 4.4.1 Salary Scales

The Human Resources Area should be responsible for maintaining an appropriate salary scale in which each function group or personnel grade is assigned to a salary range with a minimum, average and maximum. Salaries should be within the minimum and maximum of the salary range established for the applicable function group or grade, based on personnel performance metrics.

The Department should consider updating the salary scale each four or five years in order to advise each Supervisor or Chief of Division of potential salary adjustments budget submission purposes.

#### 4.5.1 Performance Planning

Directors should establish measurable yearly performance targets, outputs and objectives with division staff. Personnel will be held accountable to the targets, outputs and objectives agreed upon by the Directors. Performance planning should be evaluated on an annual basis.

#### 4.5.2 Progress Review and Feedback

Regular progress review and feedback are critical components of performance management. Regular reviews can be defined by the Director and the staff but no less than four times annually.

### 4.5.3 Unsatisfactory Performance

Unsatisfactory performance should be dealt with by the mechanisms described above (progress review and feedback, training, on-the-job training, etc.). Reiterated unsatisfactory performance can result in employment termination if corrective action plan metrics are not met.

### 4.6 Proposed Staffing

There are 622, or approximately 30% of the IRA's total workforce, contracted or temporary employees. High levels of contracted staff in an organization leads to increased training costs, especially within large organizational transformations, and a loss of retained knowledge and skills for technology and processes. Attracting strong in-house personnel will have long term benefits and sustainability for the Department. It is essential that the recruitment process attract sufficient numbers of qualified applicants to maintain the continuous application and screening processes required to meet staffing needs.

The table below lists the number of contract and temporary staff by bureau as of April, 2014.

IRA Contracted and Temporary Personnel (April, 2014)			
	Contracted	Temporary	Total
Processing Bureau	158	0	158
Collection Bureau	277	5	282
Fiscal Audit	1	7	8
Taxpayer Assistance & Specialized Consults Bureau	25	0	25
Taxpayer Services Bureau	141	1	142
Consumption Bureau	5	0	5
Tax Fraud Bureau	2	0	2
<b>Total</b>	<b>609</b>	<b>13</b>	<b>622</b>

The table below shows the high number of vacant positions in the IRA due to previous staffing reduction initiatives taken by the Department. Personnel left the Department as a result of early retirement and training program from Law 7 in 2009 and Law 70 in 2010. The Department should consider conducting a Workforce Distribution Analysis to understand appropriate levels of effort by personnel classification type for tax reform transformational efforts. The Department should also eliminate the 'vacant positions' if the positions are no longer needed.

Internal Revenue Area Personnel Count by Bureau (April 2014)			
	Vacant Positions	Occupied Positions	Total
Processing Bureau	200	360	396
Collection Bureau	812	847	1322
Fiscal Audit	442	237	716
Taxpayer Assistance & Specialized Consults Bureau	65	62	100
Taxpayer Services Bureau	83	242	177
Consumption Bureau	309	403	683
Tax Fraud Bureau	28	69	95
<b>Total</b>	<b>1939</b>	<b>2210</b>	<b>3489</b>

As of September 2014, the Department operates 88 collection centers across which are grouped into seven (7) Collections Districts. The Collection Districts have the following centers:

Mayaguez	Arecibo	Bayamon	San Juan
Mayaguez	Barceloneta	Bayamon	Hato Rey
Aguadilla Cesco	Arecibo Centro	Bayamon Cesco	Mercantil Plaza
Hormigueros	Vega Baja	Dorado	Central
Mayaguez Cesco	Arecibo Cesco	Barranquitas	Guaynabo
Anasco	Manati - Centro Gub.	Naranjito	Santurce
San German	Vega Alta	Toa Alta	Cesco Carolina
Aguada	Hatillo	Corozal	Trujillo Alto
Aguadilla	Utuaado	Toa Baja	Carolina
Isabela	Quebradillas	Comerio	Centro Judicial Carolina
Sabana Grande	Morovis	Orocovis	Registro Demografico
Cabo Rojo	Camuy	-	-
San Sebastian	Lares	-	-
Moca	Ciales	-	-
Lajas	Florida	-	-
Las Marias	-	-	-
Maricao	-	-	-

Ponce	Humacao	Guayama
Ponce	Canovanas	Juncos
Centro Judicial Ponce	Humacao	Caguas
Guayanilla	Loiza	Gurabo
Penuelas	Fajardo	Cidra
El Tuque Cesco	Las Piedras	Cayey
Juana Diaz	Luquillo	Guayama
Yauco	Yabucoa	Aguas Buenas
Salinas	Naguabo	San Lorenzo
Coamo	Rio Grande	Arroyo
Guanica	Ceiba	Albonito
Villalba	Vieques	Patillas
Adjuntas	Maunabo	-
Santa Isabel	Culebra	-
Jayuya	-	-

As of September 2014, the Caguas and Bayamon collection districts collect almost \$300 million, or 10% of the total revenue collections, while the operational costs for the two districts are nearly 20% of the total costs to operate all collection district offices. The table below lists the operational cost and revenue collected by district office.

Collections Districts Revenue (September 2014)		
Collections Districts	Revenues Collected	Operational Cost
San Juan	\$1,796,943,264.98	\$4,543,311.54
Ponce	\$215,056,128.85	\$708,136.70
Humacao	\$206,751,197.44	\$779,169.80
Arecibo	\$196,293,352.42	\$888,691.29
Mayaguez	\$189,012,776.31	\$931,011.07
Caguas	\$165,841,098.12	\$692,729.87
Bayamon	\$134,584,296.56	\$1,010,669.12

The Department may want to consider closing collection district offices to streamline processes as a result of the Prioritized Opportunities for the Target Operating Model.