

MINISTRY OF SMALL BUSINESS AND REVENUE

REVENUE SERVICES OF BRITISH COLUMBIA REPORT

December 2004 to December 2006

May 31, 2007



Ministry of
Small Business
and Revenue



May 31, 2007

Honourable Rick Thorpe
Minister of Small Business and Revenue
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Honourable Thorpe:

I am pleased to present the second report for Revenue Services of British Columbia.

As of December 2006, EDS Advanced Solutions Inc. completed two years of operations under a 10-year Agreement to work with the Ministry of Small Business and Revenue to create a Centre of Excellence for Revenue Management within the Province and provide revenue management services under the Province's official brand and mark, Revenue Services of British Columbia.

During the first two years of operations, we have achieved very positive results -- service to citizens of the Province has been improved, while ensuring compliance with stringent privacy and confidentiality provisions, and we have launched leading-edge technology to support excellence in revenue management in government.

The attached report highlights our achievements to date. We are pleased with our progress, and will continue to build on our achievements to create a Centre of Excellence for Revenue Management and recovery for the Province of British Columbia.

Yours truly,

Robin Ciceri
Deputy Minister

Beth James
Associate Deputy Minister

Table of Contents

Introduction	2
Background	2
Second Year Performance Results	5
Customer Service	5
Reduced Customer Complaints	7
Decreased Customer Call Wait Time	8
Elimination of Customer Busy Signal Rate	9
Decreased Call Abandon Rate	10
Increased First Call Resolution	11
Protection of Privacy	12
Transition of Staff	13
Revenue Management System	13
Financial Benefits	14
Audit	15
Contract Monitoring	16
Conclusion	17

Introduction

The Ministry of Small Business and Revenue's mandate is to create a Centre of Excellence for Revenue Management in the Province of British Columbia. As a public sector leader in revenue management, the Ministry will:

- Be responsive to customer needs - continuously improve customer service.
- Streamline the way government collects revenue - provide cost effective and efficient delivery of service to British Columbians.
- Maximize revenue recovery - support important public services, such as health care and education, for British Columbians.

In 2004, the Province of British Columbia signed a 10-year Agreement with EDS Advanced Solutions Inc. (Service Provider), a British Columbia company, to work with the Ministry of Small Business and Revenue to build and operate a Centre of Excellence for Revenue Management. Revenue management services are provided under the terms of the Agreement, and on behalf of the Province of British Columbia, under the Province's official brand and mark, Revenue Services of British Columbia.

During 2006, the Ministry and the Service Provider clarified and enhanced a number of provisions in the original Agreement. As provided under the Agreement, the Ministry extended its relationship with the Service Provider by two additional years to 2017. Projected net financial benefits for the Province for the two additional years total \$170 million.

The Agreement will generate projected net revenue benefits of \$517 million to the Province over the 12 year period¹ and leverage private sector expertise, technology and investment capital. In addition, the Agreement transfers the up-front investment and project implementation risk of building the centre of excellence from the Province to the Service Provider.

This Report provides an overview of the achievements during the first two years of operations under the Agreement. It identifies progress made towards creating a Centre of Excellence for Revenue Management for government.

Background

Historically, revenue management has been dispersed across government, with monies owed collected by ministries through 40 different recovery systems. This has resulted in challenges in revenue recovery and data integrity, antiquated and overloaded technology systems, and the potential for delayed collections and inconsistent application of policies. As a result, government's over 90-day accounts receivable, bad debt provisions and write-offs were increasing, and customers were experiencing multiple contacts with different ministries.

¹ Refer to Financial Benefits and Payments on page 14 for detailed information.

To address this challenge, the Ministry explored alternative service delivery opportunities to streamline and simplify revenue management across government, with the objectives of:

- Maintaining the government's high standard of privacy and security protection.
- Improving customer service.
- Maximizing revenue collection within the principles of fairness and equity.
- Integrating revenue streams from across government.
- Improving the cost effectiveness of government's collection methods.
- Increasing multi-channel service delivery.

EDS Advanced Solutions, Inc. (EAS) was the successful proponent of an extensive procurement process. Operating under the Province's official brand and mark, Revenue Services of British Columbia, business responsibilities include:

- Excellence in customer service, focused on citizen-centered service delivery that ensures public services are more accessible, responsive and customer-friendly.
- Compliance with stringent privacy, confidentiality, and contractual security provisions for the protection of British Columbians' personal information.
- The creation and operation of a streamlined and simplified revenue management system, including the implementation of new technology and business transformation to support account management, billing, payment processing, tax return processing and collections activities.
- Implementation of timely and innovative information technology solutions and support for the Ministry of Small Business and Revenue.

Revenue management services provided by Revenue Services of British Columbia vary by revenue portfolio, depending on the program and client ministry needs. Table 1 shows the current portfolios managed by Revenue Services of British Columbia.

Table 1: *Scope of revenue management services*

Ministry Portfolios	Account Management	Billing	Payment Processing	Collection of Overdue Accounts	Tax Return Processing
Medical Services Plan Premiums(MSP)	✓	✓	✓	✓	
Immigrant Sponsorship Program	✓	✓	✓	✓	
B.C. Ambulance Service			✓	✓	
British Columbia Student Assistance Program			✓	✓	
Employment and Assistance Program			✓	✓	
Court Fines			✓	✓	
Mineral Oil and Gas Revenues			✓		
Subsidized Bus Pass Program			✓		
Commercial Loans			✓		
Social Service Tax, Corporation Capital Tax, Tobacco Tax, Fuel Tax, Rural Property Tax, Property Transfer Tax, Hotel Room Tax, and other small tax statutes			✓		✓

Second Year Performance Results

The Service Provider has completed the second year of operations under the Agreement with the Province of British Columbia. This two year period has been marked by significant accomplishments and milestones, including customer service improvements, business transformation to simplify, streamline and make business processes more consistent, and the implementation of a leading-edge revenue management system for government. Working with Revenue Services of British Columbia, the Ministry has made significant progress towards creating a Centre of Excellence for Revenue Management for government.

Performance results are presented for:

- Customer service.
- Protection of privacy.
- Transition of staff.
- Revenue management system.
- Benefits and payments.
- Audit.
- Contract monitoring.

Customer Service

In the first two years of operations under the Agreement, the Service Provider has focused on implementing significant service and business process improvements, to provide more citizen-centred service delivery.

Customer wait times have been decreased by adding more staff and phone lines, customer access has been improved by extending service to include evenings and Saturdays and the customer experience has been improved by ensuring high quality customer service provided by well trained, professional staff.

All employees of Revenue Services of British Columbia receive training based on the *Taxpayer Fairness and Service Code*, supporting the Ministry's commitment to service excellence through responsive, courteous, fair and respectful treatment, and the protection of privacy and confidentiality. In addition, employees receive extensive training and development opportunities related to new technologies and business processes to ensure high quality customer service.

Further customer service improvements have been realized with the implementation of the revenue management system in April 2006. Improvements include:

- **Faster service** – the telephony system has been integrated with the revenue management system, so customers calling into Revenue Services of British Columbia are getting the information they need faster.

- **Increased fairness** – specific collections protocols have been automated through the revenue management system. This means that all accounts are treated consistently through standardized processes for such things as mail outs, timing between collections letters and phone calls, and escalation steps.
- **Streamlined payment processing** – payments are processed the same day through expanded automated functions connected to the revenue management system.
- **Increased customer service options** – customers now have the option of inquiring about their single accounts or all of their accounts that are on the revenue management system.

Customer service improvements have been implemented despite customer contacts increasing by almost 96 per cent. Incoming customer inquiries, proactive collection contacts and contacts made while managing other revenue management services have increased from 97,600 in January 2005 to approximately 191,000 contacts per month over the first two years of operations.

The Ministry has built safeguards and incentives into the Agreement to ensure customer service performance expectations are met or exceeded. Nineteen service levels and eight performance measures are defined in the Agreement. There may be financial consequences to the Service Provider if service levels are not met, while performance measures are subject to contract management escalation procedures if they fall below defined performance levels.

The Ministry monitors both service levels and performance measures on a regular basis. In addition, the Ministry reviews service levels and performance measures annually to ensure they are focused on critical customer service areas and that performance targets ensure continuous service improvement. To date, all service levels and performance measures defined in the Agreement have been met.

Five performance metrics, either customer service levels or performance measures, are reported in the following graphs. The remaining service levels and performance measures come into effect in the future, with most related to the efficiency and effectiveness of internal administrative processes or to providing Ministry information technology services.

Performance trends over the first two years of the Agreement are provided for five key indicators of customer service quality:

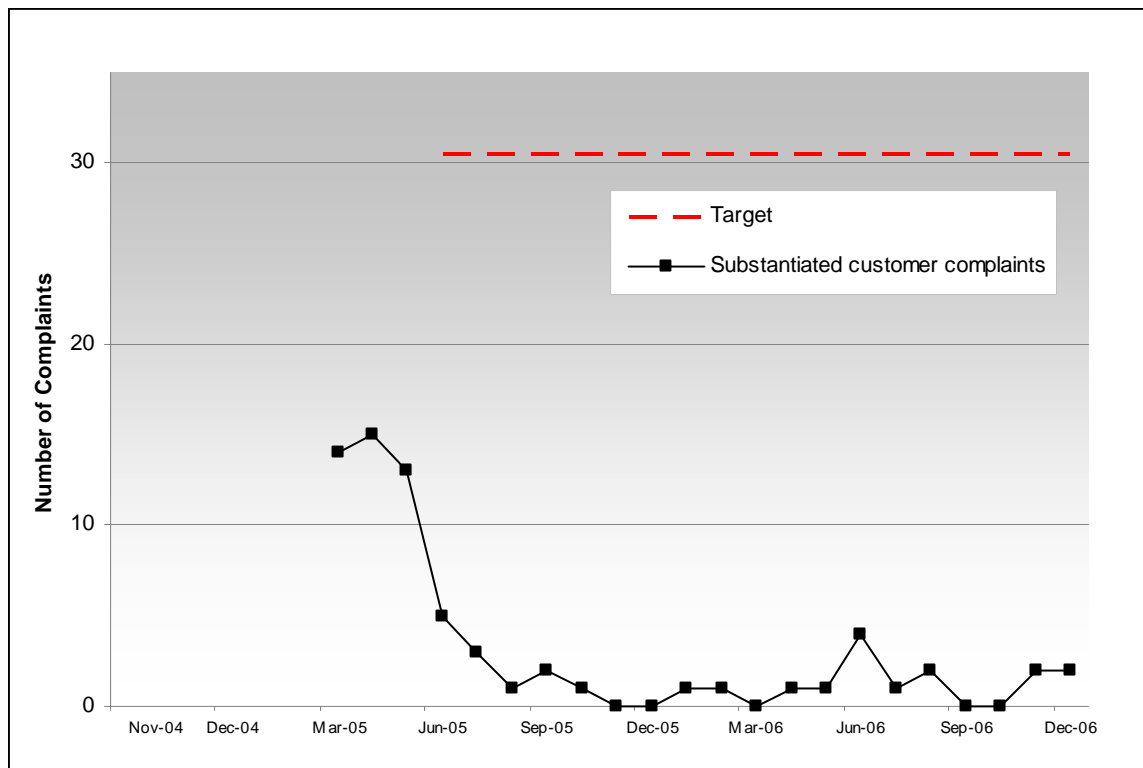
- customer complaints;
- customer call wait time;
- customer busy signal rate;
- call abandon rate; and
- first call resolution rate.

Overall, performance trends indicate an improvement in the quality of service provided to the customers of Revenue Services of British Columbia.

Reduced Customer Complaints

- The number of customer complaints received is a key indicator of satisfaction with the quality of service provided.
- Customer complaints include those received by e-mail, phone, and letter through the Minister's Office, offices of Members of the Legislative Assembly and B.C. Ombudsman, as well as any matters escalated to a supervisor or manager at Revenue Services of British Columbia.
- Prior to signing the Agreement with the Service Provider, customer complaints were not consistently monitored or reported. The first available statistics show 14 substantiated customer complaints during March 2005.
- **Substantiated customer complaints have been reduced from a monthly average of 5.4 in 2005 to 1.25 in 2006, while the total number of substantiated complaints has declined from 54 to 15 over the same time period.**

Figure 1: Customer complaints



Data available beginning in March 2005.

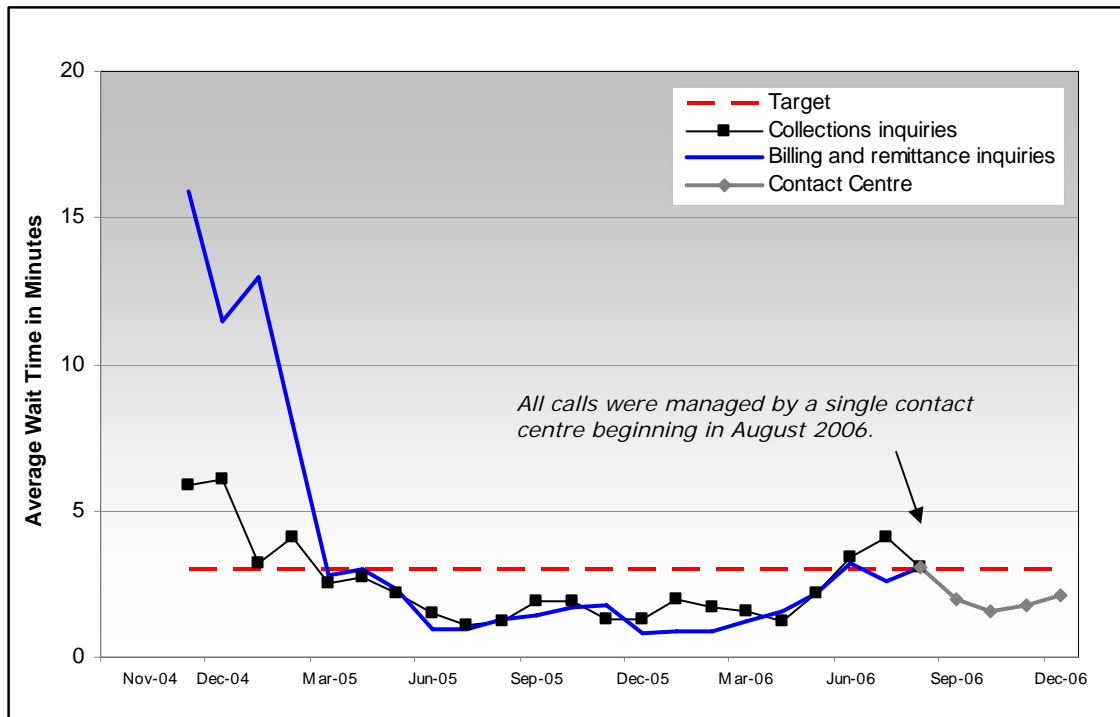
A complaint is "Substantiated" when, during a customer interaction, a Revenue Services of British Columbia customer service agent: (1) materially deviates from established policies or processes; (2) uses threatening, inappropriate or unprofessional language or; (3) presents incorrect facts of the case. This is evaluated jointly with the Service Provider and Ministry staff.

For this measure, performance is considered on target when it is at or below the Target line. Service Level target in effect as of June 2005. The target -- 0.02% or less of monthly contacts will result in a substantiated complaint -- has been calculated based on average monthly contacts for 2006.

Decreased Customer Call Wait Time

- A key success factor when providing customer service is to decrease the customer call wait time.
- Prior to signing the Agreement with the Service Provider, the customer call wait time averaged 15.9 minutes for billing and remittance inquiries and 5.9 minutes for collection of overdue accounts.
- Over the first two years of operations under the Agreement, Revenue Services of British Columbia increased its capacity to manage call volumes by adding additional staff and phone lines, and extending service to include evenings and Saturdays. As a result, the average call wait time for billing and remittance inquiries declined to 2.58 minutes and 2.02 minutes for collection inquiries by July 2006.
- In August 2006, Revenue Services of British Columbia implemented an integrated contact centre with employees trained to respond to all incoming inquiries.
- **Since August 2006, the average call wait time has been reduced to 2.1 minutes for all call types, exceeding the performance target of 3 minutes.**

Figure 2: Customer call wait time

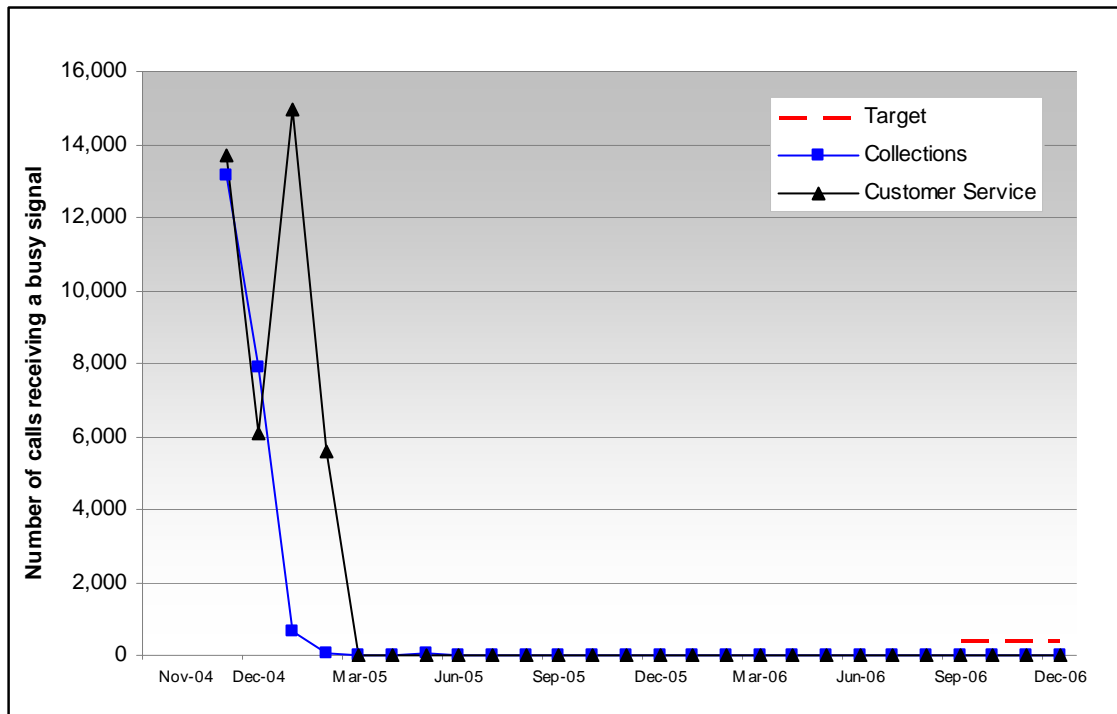


For this measure, performance is considered on target when it is at or below the Target line.

Elimination of Customer Busy Signal Rate

- A key success factor when providing customer service is to decrease the customer busy signal rate.
- Prior to signing the Agreement with the Service Provider, almost 27,000 customers received busy signals each month.
- **Due to changes in the telephony technology, the number of customers receiving a busy signal decreased to virtually zero by December 2005 for both collections, and billing and remittance inquiries.**

Figure 3: Customer busy signal rate

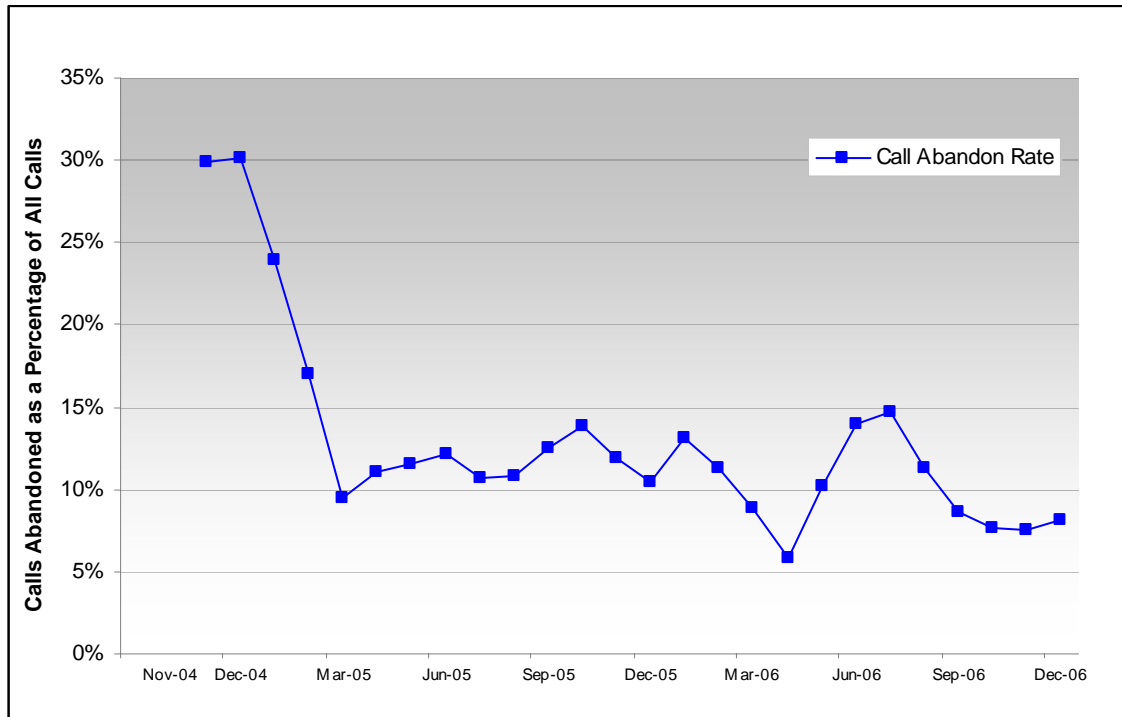


For this measure, performance is considered on target when it is at or below the Target line. Service Level target in effect as of November 2006. The target -- 1% or less of monthly incoming calls will reach a busy signal -- has been calculated based on an average of monthly incoming calls for 2006.

Decreased Call Abandon Rate

- A key success factor when providing customer service is to decrease the call abandon rate – the percentage of customers who hang up before reaching a service representative.
- Prior to signing the Agreement with the Service Provider, the customer call abandon rate averaged 30 per cent. This means for every 100 customers who got through to the voice response system, an average of 30 hung up before reaching a service representative.
- **Despite a significant increase in monthly call volumes since 2004, the average customer call abandon rate was reduced to 12.6 per cent during 2005, with a further reduction to 10.4 per cent in 2006.**

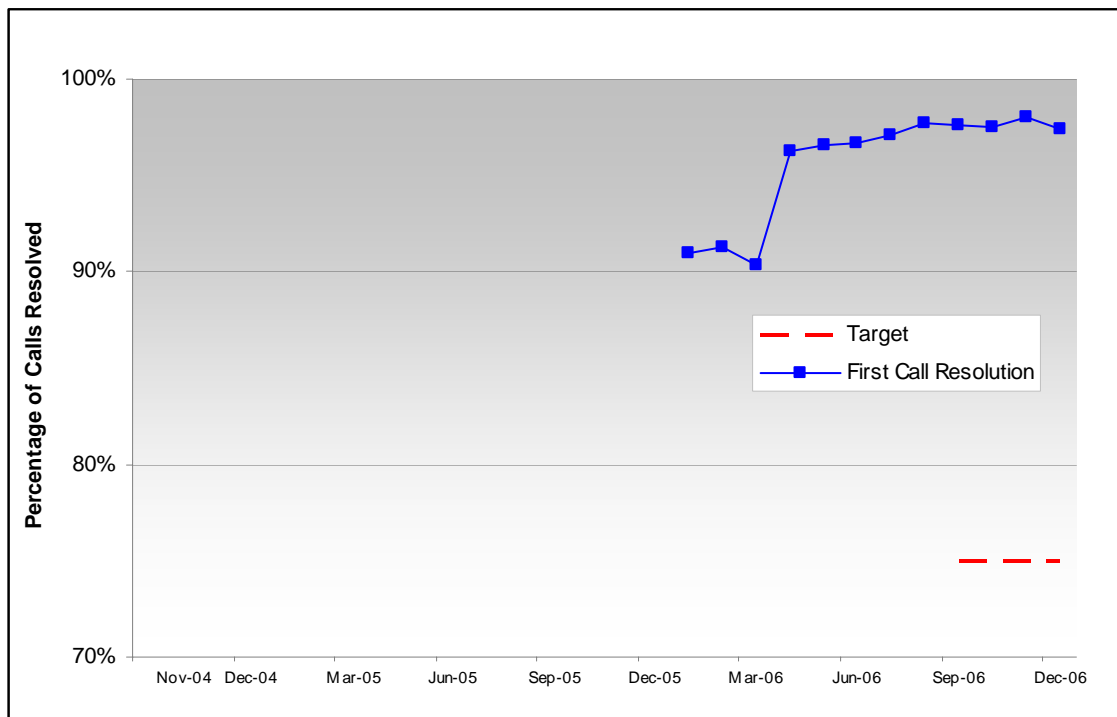
Figure 4: Call abandon rate



Increased First Call Resolution

- A key success factor when providing customer service is to increase the percentage of customer inquiries resolved on the first call.
- First call resolution includes all incoming customer telephone calls in which the inquiry is for a service provided by Revenue Services of British Columbia. An inquiry is considered 'resolved on first call' if the customer does not call back within four days regarding the same inquiry.
- **On average, 94.7 per cent of customer inquiries are resolved on first call, significantly exceeding the performance target of 75 per cent.**

Figure 5: First Call Resolution



Data available beginning in January 2006. Service Level target in effect as of November 2006. The target -- 75% or more of monthly customer inquiries, based on a three month rolling average, will be resolved during the first call.

Protection of Privacy

The Province of British Columbia is committed to the protection of personal information without compromise. This commitment is reinforced under the Agreement with the Service Provider. Prior to signing the Agreement with the Service Provider, a rigorous privacy framework was developed by the Province for the protection of personal information. The Agreement with the Service Provider contains stringent privacy, confidentiality and security provisions for the protection of personal information. Together, these strong contractual provisions provide a comprehensive strategy and privacy framework for protection against unauthorized access, use or disclosure of personal information.

Privacy protection within the Agreement includes:

- The Province retains control and ownership of all personal information.
- Privacy provisions that either meet or exceed the requirements under the *Freedom of Information and Protection of Privacy Act (FOIPPA)* regarding the unauthorized access, use and disclosure of personal information.
- The Province has step-in rights under a power of attorney, which may be exercised in the event of an anticipated privacy breach.
- All data and information backups are located exclusively in Canada.
- Direct agreements between the Province and the Service Provider's employees, and employees of sub-contractors, which include non-disclosure obligations where the employees have access to personal information.
- Whistleblower protection is provided for employees.

Additionally, the Ministry has extensive rights to perform reviews and audits on any aspect of the Agreement, including the protection of personal information. Annually, the Service Provider must provide the Province with a certificate which confirms their compliance with privacy obligations under the Agreement.

In 2006, the Ministry and Service Provider updated the privacy and security framework, developed prior to signing the Agreement, to ensure the continued, rigorous protection of personal information. Additionally, provisions in the Agreement were further enhanced to ensure privacy, confidentiality and security provisions were current with the information technology environment.

In addition to complying with existing privacy provisions, the Service Provider has undertaken industry leading security measures to further protect private information. A key initiative during 2006 was the implementation of a privacy and security action plan supplemented by several additional measures, including:

- Revised the security and privacy awareness program to further ensure all employees, contractors and sub-contractors have a clear and consistent understanding of security and privacy obligations.
- In conjunction with the Ministry, improved processes for Privacy Impact Assessments and Threat and Risk Assessments to ensure new legislation,

policy or information system has no impact on the protection of personal information.

- Implemented a privacy and security incident management plan to ensure effective, timely response when alleged privacy incidents occur.
- Deployed sophisticated privacy enhancing technologies, such as an intrusion detection system and regular vulnerability scans of servers that contain personal information.

During the first two years of operations under the Agreement, there has been one instance (during an average of 2.2 million customer contacts annually) of unauthorized access of personal information by an employee of the Service Provider. The Ministry notified affected individuals and advised the Office of the Information and Privacy Commissioner.

Transition of Staff

After two years in operations under the Agreement, 77 per cent of the employees transferring their employment from the Province to the Service Provider remain with the company. Table 2 provides the status of transitioned employees as of January 2007.

Table 2: *Transitioned employees summary*

Transitioned Employees	Number of Employees
Employees transitioned to Service Provider	177
Departures – e.g. retired	24
Departures – returned to government	17
Employees remaining with Service Provider	136 (77%)
Employees promoted since transition	45

Revenue Management System

The development of a revenue management system is a key component of the Agreement with the Service Provider. The vision for revenue management in government is reflective of the broader government commitment to enhance the way services are provided to British Columbians. This broader vision calls for a citizen-centred approach to service delivery, where information is more easily shared, personal information is protected and access is improved by providing services electronically.

The Service Provider is responsible to design, implement and maintain a revenue management system that continually strives to improve customer service and consolidates revenue management business processes and applications for government.

The first release of the revenue management system was implemented in April 2006. The Ministry is working with client ministries to transition account, bill, pay and collect functions to this centralized system. Over 40 different revenue recovery systems from across government will be transitioned to this new revenue management system.

The second release of the revenue management system will provide eService functionality for customers. This will include online account and statement inquiry, electronic bill issuance and presentment, online customer information, and online credit card and preauthorized debt payments. This new functionality will be designed to ensure the continued protection of personal information. Anticipated completion of these enhancements is fall of 2007.

With the implementation of the revenue management system, the Province and customers of Revenue Services of British Columbia are realizing the benefits originally envisioned for this project:

- better access to the right information at the right time;
- improved privacy protection;
- consolidation of revenue management business functions within one system (account, bill, pay and collect);
- improved and streamlined revenue management business functions (consistent application of revenue management policies and procedures);
- creation of a platform for revenue management that can be leveraged by other ministries;
- timely and accurate financial reporting to the Office of the Comptroller General;
- improved reporting and performance management; and
- increased ability to collect outstanding amounts owed to the Province by helping customers understand how much they owe, offering several different payment channels and using innovative collection processes.

Financial Benefits

Revenue Services of British Columbia will generate benefits over the term of the Agreement by continually enhancing customer service, improve the collection of accounts receivable and reduce the associated bad-debt expense and borrowing costs. A portion of these benefits will be shared with the Service Provider to offset the capital investment the Service Provider is making in business processes, technology and increased operational capacity.

In February 2005, the Province changed the Medical Services Plan Premium Assistance program to provide additional premium assistance to British Columbians. This change has increased the number of British Columbians eligible for premium assistance and, therefore, reduced the gross benefits of the Agreement by \$32 million dollars.

Based on this change, the gross financial benefits of the Agreement are now estimated at \$718 million over 10 years. The Service Provider's share of these estimated benefits is \$271 million. The Province's share is \$447 million. Estimated net benefits for the Province total \$347 million over 10 years. This total is net of ongoing operational and infrastructure costs.

As provided for under the Agreement, in 2006, the Ministry amended the original Agreement with the Service Provider to extend the contract by two years. The gross estimated financial benefits for the two additional years total \$187 million, with net projected benefits to the Province of \$170 million and \$17 million to the Service Provider. This brings the total net benefits to the Province over 12 years to \$517 million.

In the first two years of the Agreement, the Province is on track to realize the projected benefits.

Audit

The Ministry of Small Business and Revenue has extensive rights to perform reviews and audits. This includes the use of internal or external auditors or other professional advisors. Audits may cover any aspect of the Agreement, including privacy and security, general controls, practices and procedures, and financial or business matters.

The Service Provider is also subject to investigations and reporting by the Offices of the Information and Privacy Commissioner, the Ombudsman and the Auditor General of British Columbia on any issues within their respective mandates.

The Ministry uses a risk assessment methodology as the basis for audit planning based on the methodology used by the Office of the Comptroller General (OCG). Internal Audit, with the OCG, annually assists the Ministry to develop an audit framework based on a comprehensive risk assessment. A three-year audit plan is developed based on this audit framework.

In December 2005, the Ministry of Small Business and Revenue exercised its right to audit the services of Revenue Services of British Columbia. A comprehensive privacy and security audit, and a risk and controls review of the revenue management system prior to Release 1 implementation were initiated. In 2006, the privacy and security audit was rolled into a privacy and security action plan to augment and operationalize 42 privacy and security provisions contained in the Agreement. Progress has been significant, with all action items to be completed by summer 2007. In regard to the risk and controls review of the revenue management system, substantive issues have been resolved with the remainder to be addressed as part of normal business operations.

A post implementation review of Release 1 of the revenue management system was underway as of December 31, 2006.

Contract Monitoring

Both the Ministry and the Service Provider are committed to build and maintain a positive, professional, effective working relationship founded on stated objectives. Through the Agreement, both parties strive to ensure service levels and performance targets are met, and superior customer service and value for money are provided to British Columbians.

The Ministry and the Service Provider designed a joint contract management structure reflecting best practices in alternative service delivery initiatives. The Ministry's Contract Management Office performs contract monitoring and relationship management in connection with the Agreement. The Contract Management Office reports issues through the parties' joint governance structure, to facilitate achievement of projected outcomes and benefits for the revenue services outsourcing. In addition to regular reporting activities, the Contract Management Office monitors the performance standards of both parties and provides ongoing recommendations to support continued success.

Contract monitoring highlights for 2006 include:

- Enhanced Service Level Agreements and performance measures to ensure they continued to focus on the most critical areas of customer service delivery and targets supported continuous improvement.
- Clarified and enhanced provisions of the Agreement to support the continued achievement of projected outcomes of the Agreement.
- Streamlined contract management processes to increase the efficiency and effectiveness of the Ministry's contract oversight.
- Improved the joint contract management structure to reflect the best practices in outsourcing initiatives, and provide effective governance of the Agreement while remaining flexible to adjust to operational changes.

Conclusion

As of December 2006, the Service Provider has completed two years of operations under the Agreement. Overall, results indicate that performance expectations are being met and the objectives set out for the Agreement are being realized.

Customer service excellence is being demonstrated in a number of key areas. Despite a significant increase in call volumes, customers are reaching a service representative quicker, the vast majority of customer inquiries are resolved on the first call and customer complaints have been reduced.

Revenue Services of British Columbia is generating financial benefits by improving customer service and the collection of accounts receivable, and reducing associated bad-debt expense and borrowing costs. The Province is on track to realize projected net benefits.

A significant accomplishment in 2006 was the implementation of the first release of a leading-edge revenue management system for government. This system improves customer service and consolidates revenue management business processes and applications in one centralized system. The Ministry is now working with ministries across government to transition their account management, bill, pay and collection functions to this system. The second release of the system, scheduled for fall of 2007, will provide eService functionality for customers.

The protection of British Columbians' personal information is of paramount importance to the Province and will not be compromised. The Service Provider is complying with the privacy provisions and strategies set out in the Agreement, and is implementing industry-leading practices for maintaining privacy and security of personal information.

To ensure the continued success of the Agreement, the Ministry and Service Provider undertook a review of the Agreement, clarifying and enhancing a number of provisions. This included improving the joint contract management structure to ensure management practices continue to reflect best practices in alternative service delivery initiatives and result in a positive, effective working relationship. This review supports the continued achievement of projected outcomes and benefits for the revenue service outsourcing.

After two years in operations, the performance results continue to confirm this alternative service delivery initiative is realizing its intended objectives. The Ministry, working with the Service Provider, will continue to build on achievements to date to create a Centre of Excellence for Revenue Management and recovery for the Province.



Ministry of
Small Business
and Revenue