



Ohio

Department of
Taxation

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OFFICE OF
INSPECTOR GENERAL
2015 OCT 13 PM 3:12

TO: Randall J. Meyer, Inspector General
FROM: Joseph W. Testa, Tax Commissioner 
DATE: October 13, 2015
RE: Investigation No. 2014-CA00065

The Department of Taxation (Taxation) has reviewed the Report recently issued by the Office of the Inspector General (OIG) concluding Investigation No. 2014-CA00065 into the actions of former Taxation employee Lu Zhang. This Report included recommendations for possible opportunities to strengthen internal controls and business processes. This memo is provided in response to the recommendations made by the OIG staff.

Recommendations

1) Review the Confidential Personal Information policy with the audit division to ensure employees are aware of the prohibitions on accessing data outside of their official job duties.

TAXATION RESPONSE

Taxation regularly takes steps to ensure all Taxation employees, including those employees within the Audit Division, are familiar with Ohio Adm. Code 5703-31-05, which sets forth valid reasons for accessing confidential personal information, as well as pertinent internal policies, i.e., Accessing Confidential Personal Information (ODT-CC-001), Taxpayer Confidentiality (ODT-HR-005), and General Data Security (ODT-301), which make it clear that employees may only access/use Taxation systems and data, as well as proprietary information obtained from third party providers, e.g., LexisNexis/Westlaw/Hoovers/LEADS/CLEAR/Accurant/etc., for legitimate business purposes which fall within the scope of the employee's employment. Policies are acknowledged by all ODT employees at the time of their initial hire and, subsequently, at the time a policy is newly issued or an older one is revised or reissued. As verification of the acknowledgement process, HR/Internal Audit routinely secure pertinent written/electronic employee policy acknowledgements in order to demonstrate knowledge of work rules.

2) Require that supervisors be advised of any conflict of interest reviews made by their employees and the outcome of the review.

TAXATION RESPONSE

Taxation is currently reviewing its Conflict of Interest policy (ODT-005) which will include a requirement that notice be given to supervisors regarding the outcome of employee requests for guidance regarding potential conflicts of interest and/or authorization to engage in secondary employment.

3) Establish a process for random reviews of approved conflict of interest documentation to ensure employees are following the appropriate policies and procedures and that no changes have occurred where a conflict of interest would now exist.

TAXATION RESPONSE

Taxation's Internal Audit Division has free and unrestricted access to all Taxation records and premises. Internal Audit is currently developing procedures for conducting random reviews in order to ascertain employee compliance with the Conflict of Interest policy (ODT-005) and the process employed by Taxation when addressing employee requests for guidance regarding potential conflicts of interest and/or approval to engage in secondary employment.

4) Establish a policy that if changes to the employee's job duties within ODT occurs, that a new review of their approved outside activity occurs to ensure a conflict of interest would not exist.

TAXATION RESPONSE

Taxation is currently reviewing its Conflict of Interest policy (ODT-005) which will include a requirement that employees submit requests for guidance regarding potential conflicts of interest and/or authorization to engage in secondary employment, minimally, on an annual basis. Taxation will also continue to require employees who have received prior approval to engage in outside activities to submit a new request if their Departmental duties/responsibilities, outside activities, or secondary employment responsibilities/duties materially change.

5) Audit the tax filings prepared by Zhang for the limited liability company where she has an ownership interest, to ensure all preparation were in compliance with law.

TAXATION RESPONSE

In accordance with Ohio Revised Code Section 5703.21, Taxation is prohibited from disclosing audit information related to a specific taxpayer, however please note that Taxation is ensuring that all relevant tax filings are in compliance with the law.

Thank you for allowing Taxation the opportunity to respond to the recommendations made. Should you have any additional questions or need further information, please contact Taxation's Chief Counsel, Matthew Chafin, at (614) 466-2166.
