

# Department of Revenue Day 6: IT projects and project management

Joint Committee on Ways and Means  
Subcommittee on General Government

May 9, 2017

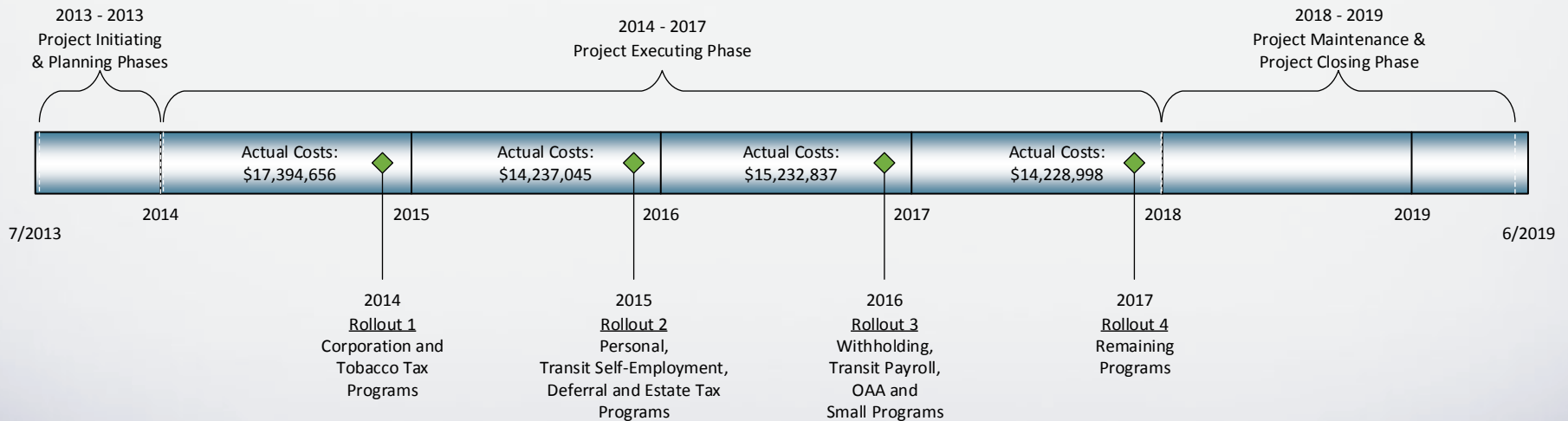


# Revenue project status

- Core Systems Replacement (CSR).
- Processing Center Modernization (PCM).
- Non-GenTax Application Remediation.
- Property Valuation System (PVS).

# Core Systems Replacement

## CSR Project Roadmap



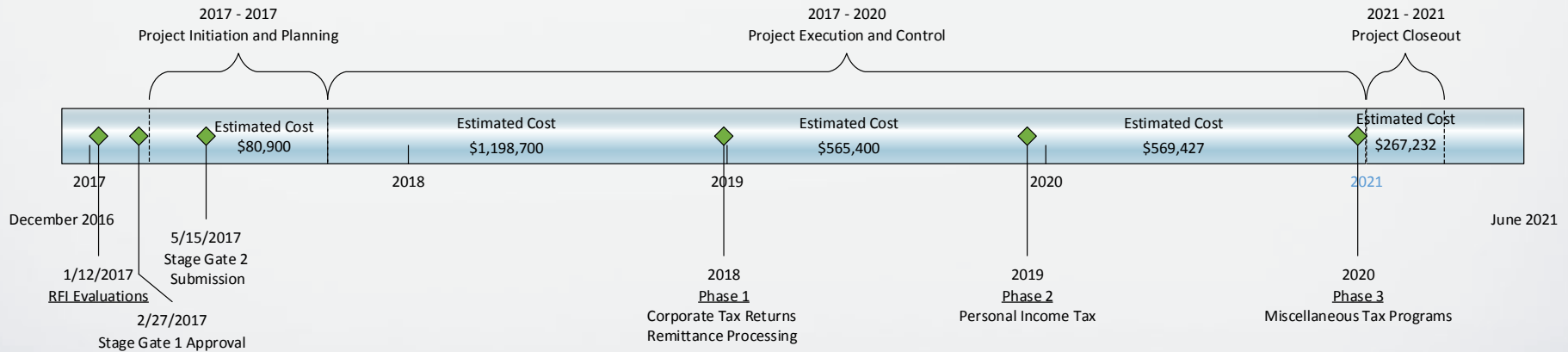
| NOTES:   |
|--|
| Costs do not include pre-project costs incurred in FY09-11 and FY11-13 (\$7.3M)  |
| Costs do not include net costs associated with bond financing (estimated at \$4.1M)  |
| Phase 4 estimated costs based upon January, 2017 project cost estimates<br>Operations and maintenance are projected to cost \$3.65 million for one year beginning December, 2019 |



# CSR: Maintenance and support

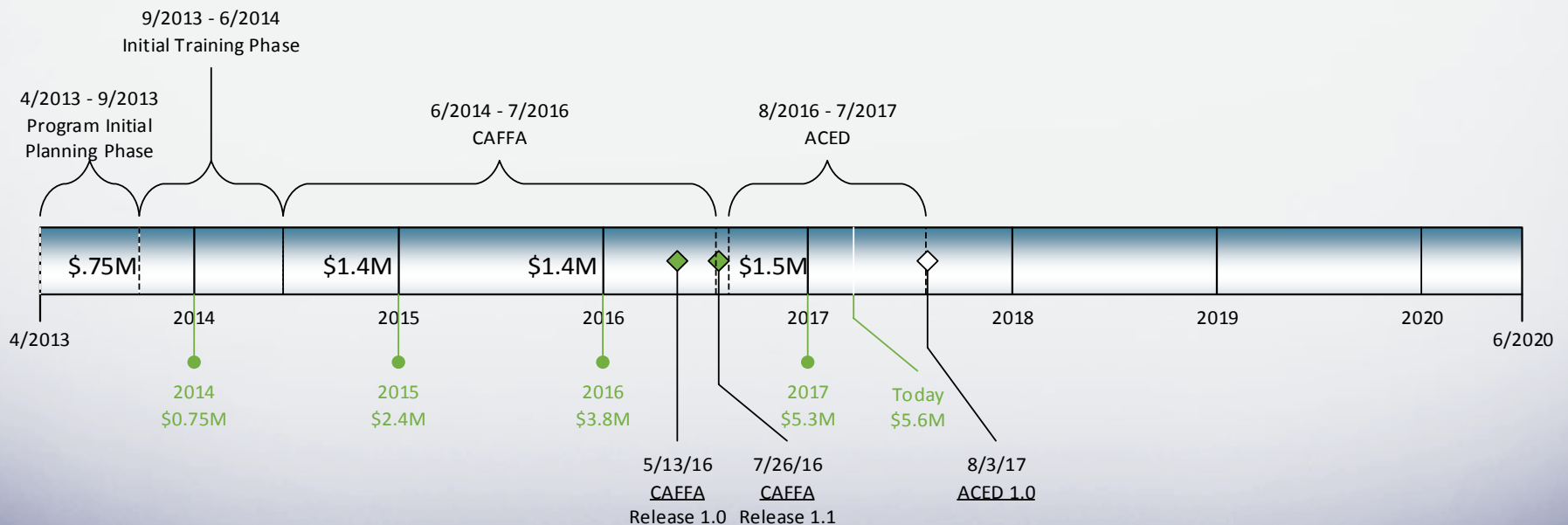
| Description   | Risks   | Cost        |
|---|---|-------------|
| <p><b>Level 2 Maintenance and Support</b></p> <ul style="list-style-type: none"> <li>• Access to service packs.</li> <li>• Access to new versions of GenTax.</li> <li>• Access to new and revised documentation.</li> <li>• Phone support from 8 a.m. to 5 p.m. Pacific Time.</li> <li>• Defect repair. Contractor will fix core GenTax bugs at no additional cost to agency.</li> <li>• In addition, this level provides on-site contractor personnel to resolve defects in site code, extensions, and configuration.</li> </ul> | <ul style="list-style-type: none"> <li>• Being behind on service packs and versions would diminish maintainability and the agency would be unable to take advantage of new functionality.</li> <li>• Lack of expertise to implement major enhancements would prohibit us from improving our business or responding to legislative changes.</li> <li>• Lack of capacity to address needed changes and enhancements would hinder our ability to improve our business or respond to legislative changes.</li> <li>• Loss of best practices and performance tuning would reduce our ability to continually improve the system.</li> </ul> | \$1,600,000 |
| <p><b>Level 3 Maintenance and Support</b></p> <p>In addition to what is included in 2, this level provides additional on-site contractor personnel to ensure that service packs and upgrades are installed. It also includes optional (at an additional cost) on-site contractor resources to work on modifications and enhancements at agency's sole discretion.</p>   |   | \$2,400,000 |

# Processing Center Modernization

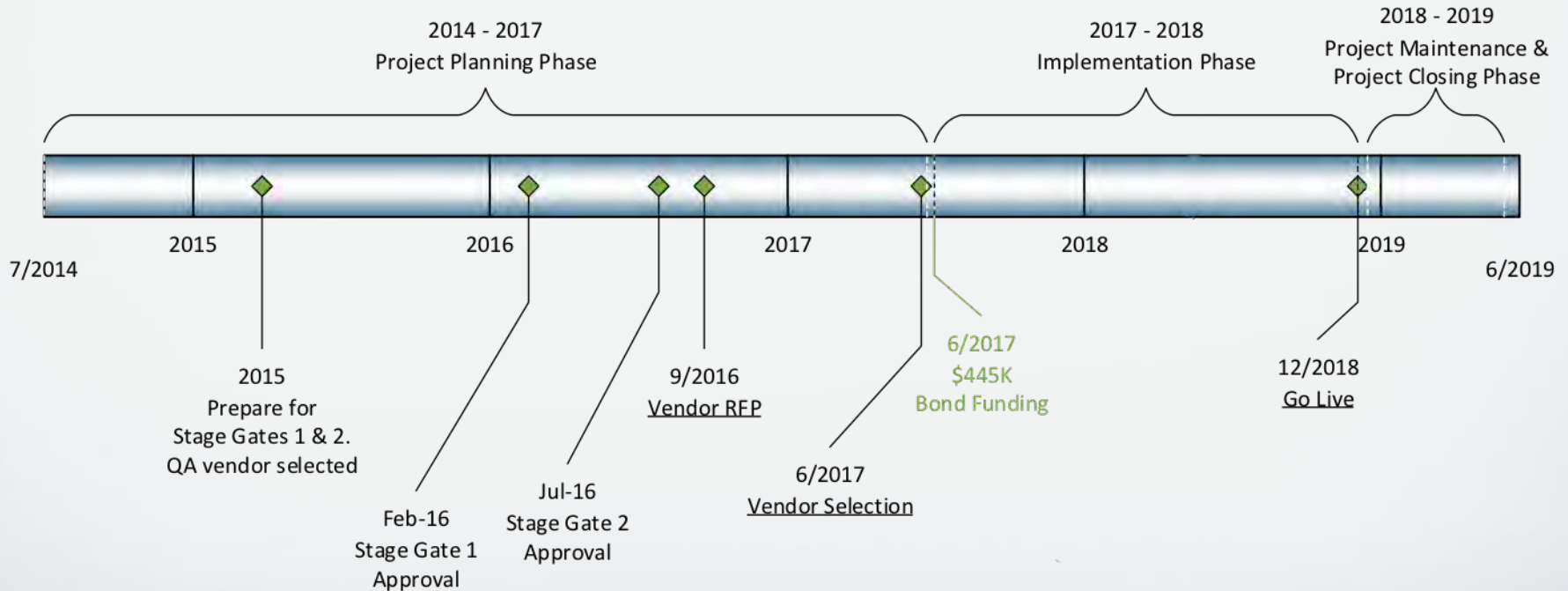


# Legacy Application Remediation

## Legacy Migration Program Roadmap



# Property Valuation System



## Notes:

- Costs do not include pre-project costs incurred prior to FY 15-17 or costs associated with bond financing (known expenditure to date is \$60,000, cost of future bond issuance is unknown).
- Industry trends show that maintenance/support contracts can range from 10% to as high as 20% of implementation per annum.

# Questions?

If you have additional questions after today, please contact:

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(503) 945-8095

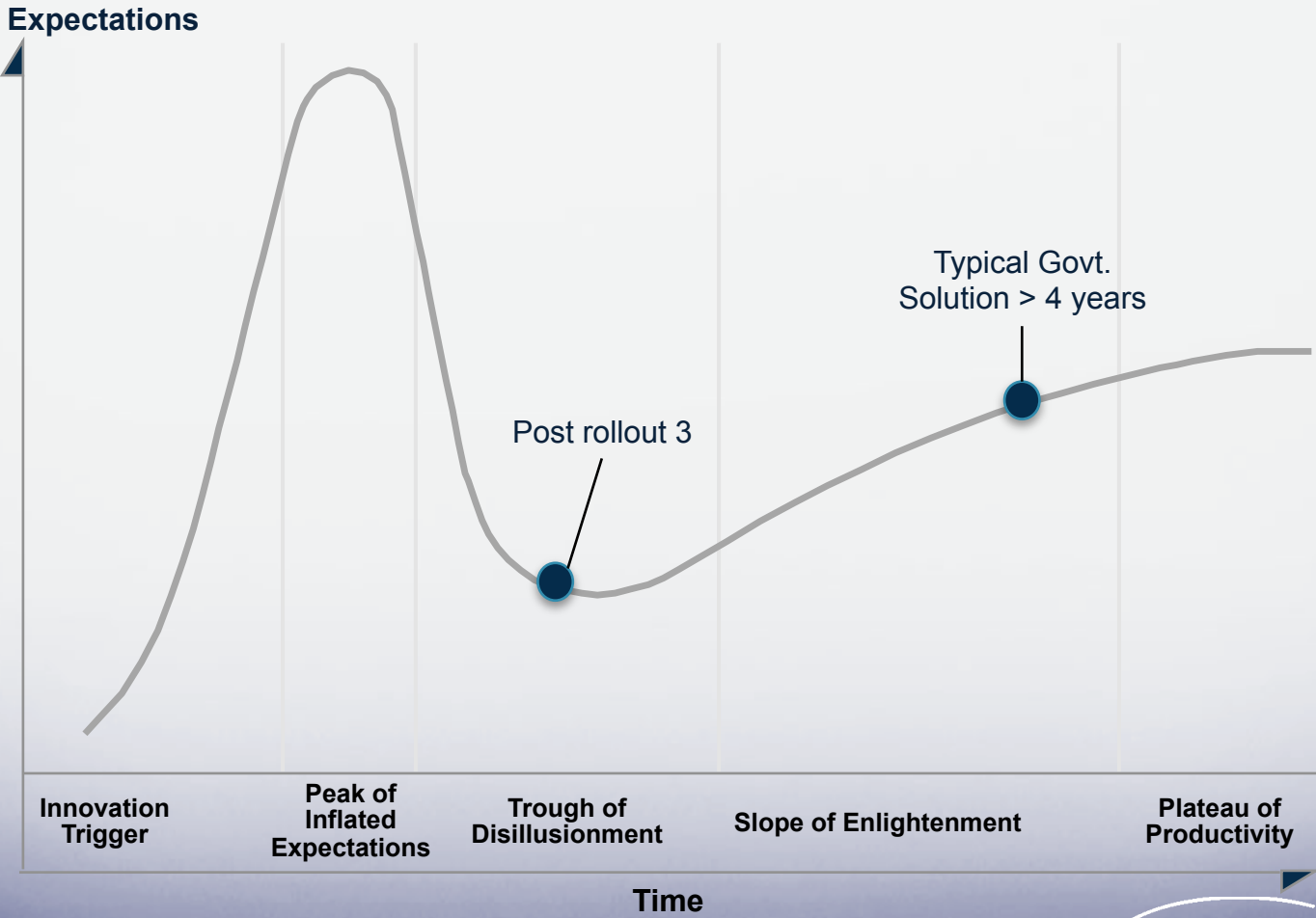




# Appendix



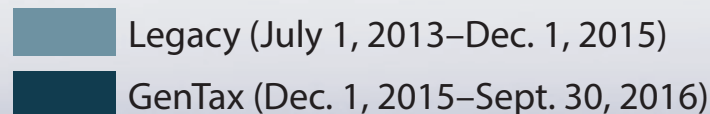
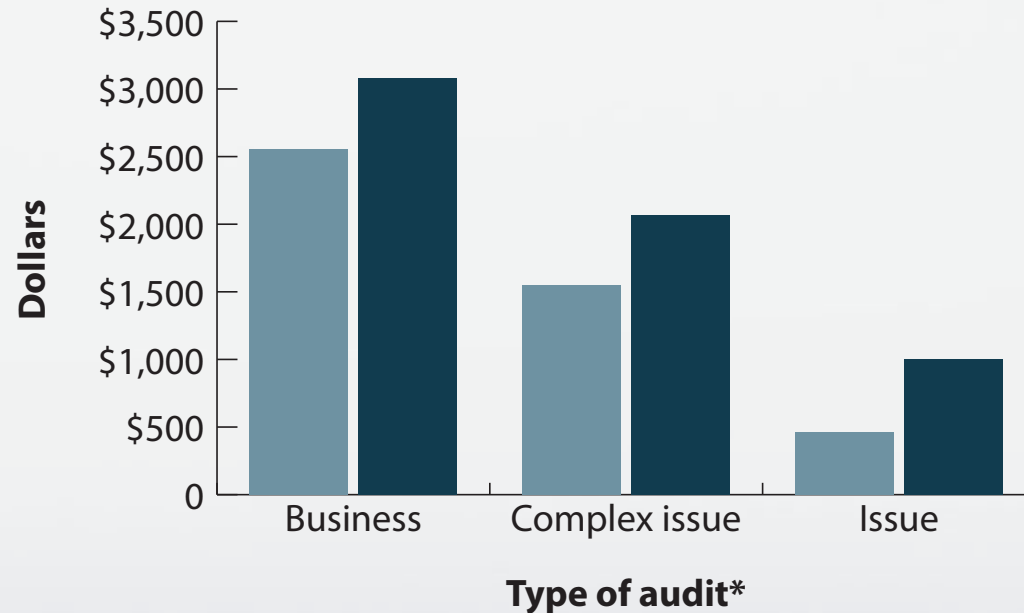
*“We tend to overestimate the effect of a technology in the short run and underestimate the effect in the long run.”—Gartner, 2016*



# Audit

- Dollars generated per case has increased.
- Case selection is more efficient and effective.
- Working less complex cases more quickly.

# Working better cases first



*\*"Issue" audits are those audits where there is generally only one issue with the return. "Complex issue" audits involve multiple issues on a return.*



# Interfacing with other agencies

## Legacy

- Manual data validation.
- Disparate integration approaches.



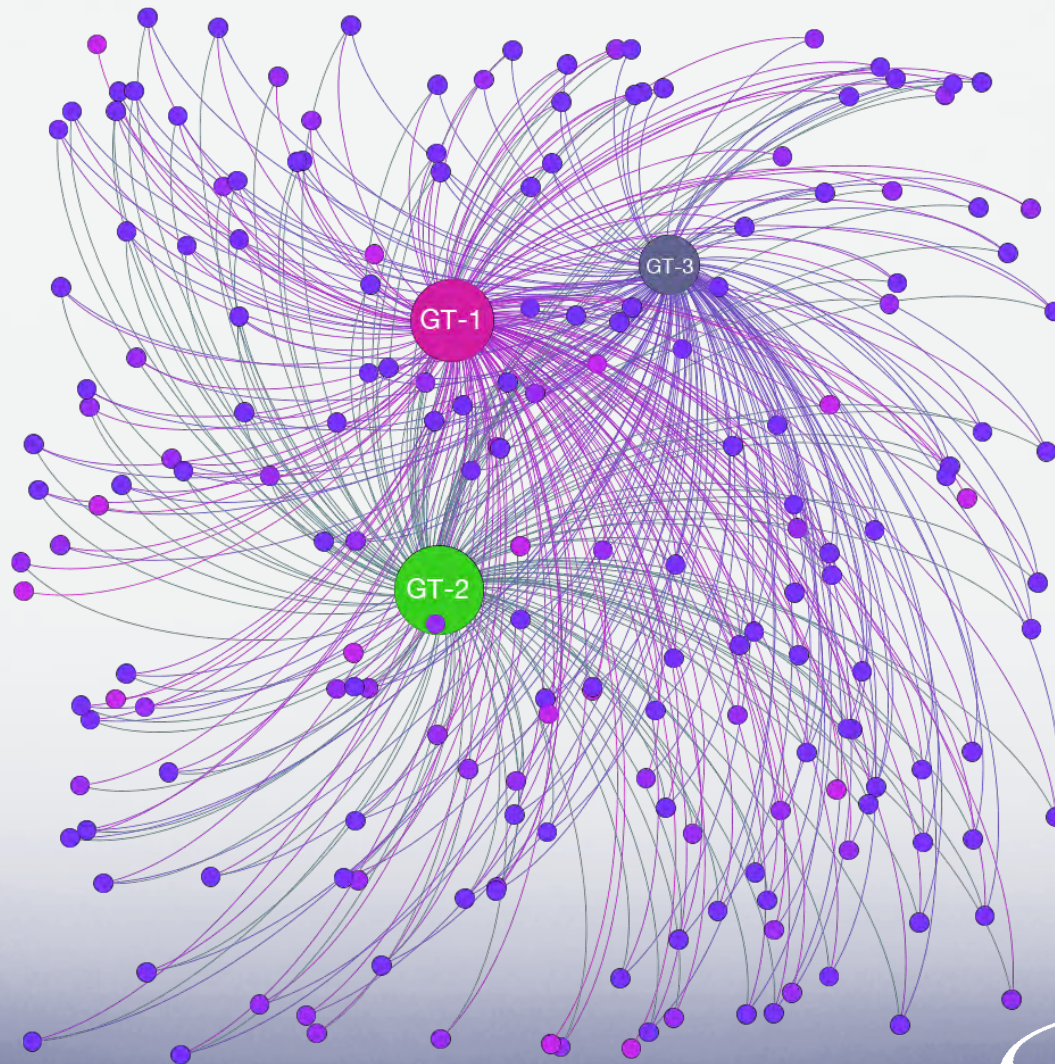
## GenTax

- Automated data validation.
- Consolidated and standardized integration approaches.

# Interfacing with other agencies

- As of April 24, 2017, interface with DOJ-Child Support is complete and working properly.
- DOJ—April 28, 2017:
  - *“Communication between DOJ and DOR is excellent.”*
  - *“Data exchange is working.”*
  - *“Planning and testing between DOJ and DOR is on-time and going well.”*
- Working with our partners at DCBS and OED to correct system issues.

# Interfacing with other agencies



# CSR overview

## Business case:

- Avoid risk and improve performance.
- Commercial off-the-shelf solution (COTS)—most viable.

### CSR Project Roadmap





# GenTax technical team

- Technical resources: 41.
  - 27 contractors from Fast Enterprises, LLC.
  - 14 DOR staff.
- Performing:
  - Rollout 4 implementation.
  - Production support—break fixes and enhancements.
  - Season up—modern e-file, forms, discovery, service packs, architecture changes.
- Still learning the system and configuration (5-7 years average).



# Legacy system

4/11/13 11:28:54                      PERSON/BUSINESS SEARCH                      PIPP0732C  
 User: SAL

GP General Option  
 Person Identifier: 123-45-6789                      Output Id Nbr: \_\_\_\_\_  
 Identifier Last Four: \_\_\_\_\_ BIN: \_\_\_\_\_ FID/EIN: \_\_\_\_\_  
 Pgm: \_\_\_\_\_ Yr: \_\_\_\_\_ Pd: \_\_\_\_\_ Liab: \_\_\_\_\_ Filing Number: \_\_\_\_\_

PERSON SEARCH:                      Search Options  
 Last: \_\_\_\_\_  
 First: \_\_\_\_\_  
 Middle: \_\_\_\_\_  
 Address: \_\_\_\_\_ (C, E only)  
 City: \_\_\_\_\_  
 State: \_\_\_\_\_ Zip: 00000  
 Telephone: \_\_\_\_\_  
 Birth Date: \_\_\_\_\_ Driver License: \_\_\_\_\_  
 Search Current Information Only (Y/N): Y      Search With Time Limit (Y/N): Y

BUSINESS SEARCH:  
 Name: \_\_\_\_\_

Search Options: C=Contains E=Exact S=Similar  
 F3=Exit    F5=Refresh

MR    A                      05/038  
TSU-RCMP4002 on NetL

# New system—GenTax (mock data)

**Account**  
INDIVIDUAL: \*8688

V9D Toggle Log

Data: tap  
RunDate: 11-Apr-2013  
Decode Info

dalderson Log Off

Search  
Individual: \*8688  
New Manager

Accept a Payment

**ACCOUNT: INDIVIDUAL INCOME TAX** Update P&I Collapse

Balance : **2,123.57** Account : 01-173618688  
 Account Id : 01-173618688 KATE AUSTEN  
 Filing : Individual Annual 113 S MAIN ST DENISON IA 51442-1958  
 Commence : 24-Feb-2010 Taxpayer : \*\*\*-\*\*6515  
 Active : Close KATE AUSTEN  
 Next Activity : 24-Jan-2013 113 S MAIN ST DENISON IA 51442-1958

RECENT NOTES: USER NOTES Add View All OPEN TASKS View All

FINANCIAL CRM TASK COLLECTION AUDIT ADJUSTMENT FEDERAL REGISTRATION ACTIVITY OTHER

PERIODS RETURNS PAYMENTS<sup>0</sup> REFUNDS<sup>0</sup> INTERCEPTS<sup>0</sup> INVOICES<sup>0</sup> TRANSACTIONS PAY OFF ACTIVITY

PERIODS 2,123.57 Period Maintenance Hide Invalid Filter

| Period      | Activity    | Tax      | Penalty | Interest | Other | Credit | Balance  | Active                              |
|-------------|-------------|----------|---------|----------|-------|--------|----------|-------------------------------------|
| 31-Dec-2013 |             | 0.00     | 0.00    | 0.00     | 0.00  | 0.00   | 0.00     | <input checked="" type="checkbox"/> |
| 31-Dec-2012 |             | 0.00     | 0.00    | 0.00     | 0.00  | 0.00   | 0.00     | <input checked="" type="checkbox"/> |
| 31-Dec-2011 |             | 0.00     | 0.00    | 0.00     | 0.00  | 0.00   | 0.00     | <input checked="" type="checkbox"/> |
| 31-Dec-2010 | 24-Feb-2012 | 1,680.00 | 336.00  | 107.57   | 0.00  | 0.00   | 2,123.57 | <input type="checkbox"/>            |
|             |             | 1,680.00 | 336.00  | 107.57   | 0.00  | 0.00   | 2,123.57 |                                     |

# CSR project status

- Successfully implemented Rollouts 1, 2, and 3 with no customization.
- Lessons learned and closeout report for Rollout 3 completed.
- Defining in-scope programs for Rollout 4.
- Developing schedule for Rollout 4.
- 126,000 taxpayers enrolled in Revenue Online.

# Application remediation— what's left?

## Application by Business Function Supported

| Business Function Supported | Total      |
|-----------------------------|------------|
| Appeals                     | 3          |
| Audit                       | 11         |
| Cartography                 | 10         |
| Collaboration               | 12         |
| Collections                 | 34         |
| Compliance                  | 13         |
| Correspondence Processing   | 5          |
| Deferral Management         | 5          |
| OAA                         | 3          |
| Research                    | 3          |
| Technology Solutions        | 23         |
| Tobacco Sales & Licensing   | 7          |
| Taxpayer Accounting         | 10         |
| Returns Processing          | 56         |
| Remittance Processing       | 24         |
| Taxpayer Identification     | 13         |
| Revenue Accounting          | 5          |
| Reference                   | 9          |
| Human Resources             | 19         |
| Valuations                  | 6          |
| Withholding                 | 2          |
| Customer Self-Service       | 2          |
| Reporting                   | 2          |
| ATS                         | 3          |
| Records Management          | 2          |
| Timber                      | 4          |
| SPA                         | 3          |
| Taxpayer Services           | 4          |
| Mail Processing             | 9          |
| <b>Total</b>                | <b>302</b> |

## Application by Category

| Application Category  | Total      |
|-----------------------|------------|
| Access Management     | 4          |
| Case Management       | 29         |
| Change Mgmt           | 6          |
| Content Management    | 7          |
| Customer Self-Service | 7          |
| Data Analytics        | 6          |
| Data Integration      | 9          |
| External              | 31         |
| GIS                   | 5          |
| Metrics Capture       | 16         |
| Records Management    | 7          |
| Remittance Processing | 11         |
| Reporting             | 34         |
| Utility               | 37         |
| Return Processing     | 50         |
| Identification        | 6          |
| Revenue Accounting    | 1          |
| Human Resources       | 9          |
| Accounting            | 4          |
| Reference             | 9          |
| Valuation             | 8          |
| Mail Handling         | 6          |
| <b>Total</b>          | <b>302</b> |

## Application by Platform

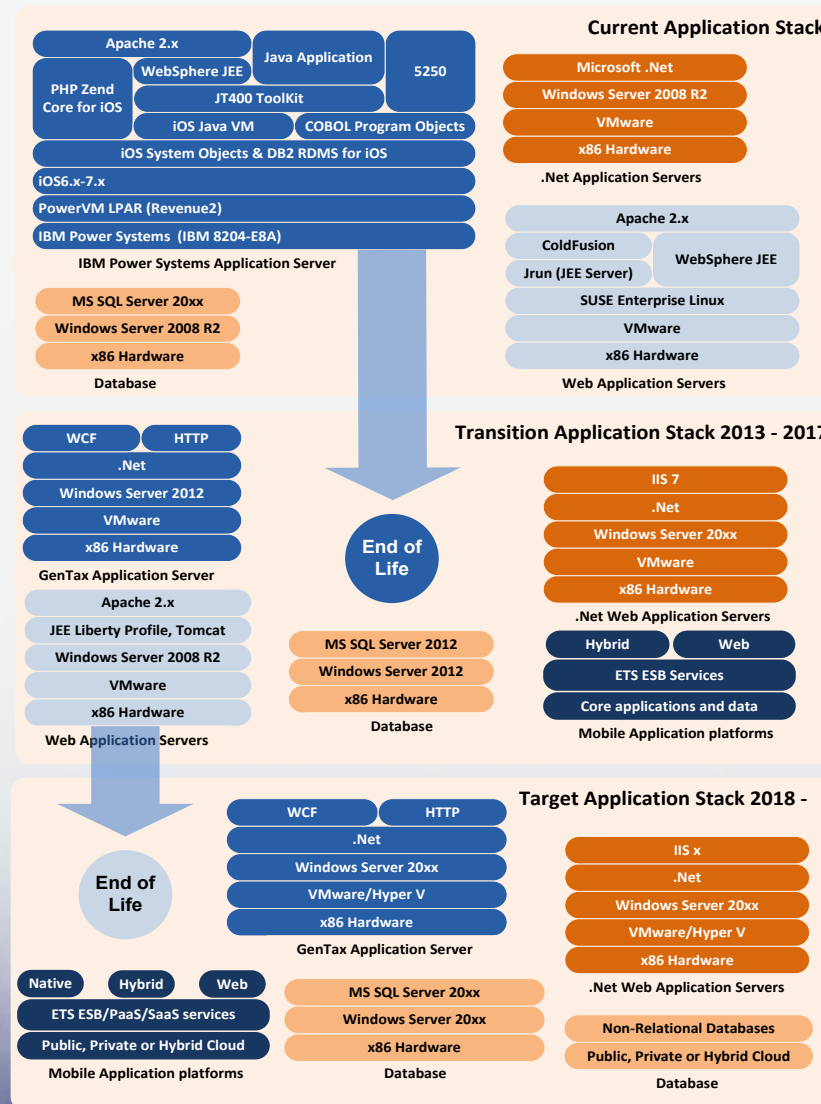
| Platform     | Total      |
|--------------|------------|
| iSeries      | 40         |
| Windows      | 185        |
| SaaS         | 5          |
| Web          | 69         |
| Mainframe    | 3          |
| <b>Total</b> | <b>302</b> |



# Why we need to change

- Application maintainability and expense.
  - Legacy infrastructure and licensing.
  - They're big and take too long to roll out.
- Difficult to mobilize.
- Siloed development.
- Outdated technologies.
- Improve customer support.
- Recruiting issues.
- They're proprietary.
- Retiring workforce—22 percent eligible by 2019.

# Transition plan



# Processing Center Modernization

## Paper returns and payments:

- Paper returns received in calendar year 2016:
  - 630,057 paper returns.
  - 22.36 percent are imaged.
- Paper payments received in calendar year 2016:
  - 1,724,629 payments.
  - \$3.17 billion in paper payments banked.





# PCM: Current state of systems

## Current systems:

- Returns being processed in three different systems.
  - Two are not compatible with Windows 7.
- Payments processed on a fourth system.
- Burroughs banking tracks nearing end of life.

# PCM: Outcomes

## Outcomes:

- Stable and supportable systems.
- Faster and more accurate processing of payments and returns.
- Automate data capture and document processing.
- Better control over taxpayer information.

# PCM: Project plan

## Current project plan:

- Three-phased approach:
  - Phase 1—Corporate tax, payment processing.
  - Phase 2—Personal income tax.
  - Phase 3—Smaller tax programs.
- Issue an RFP: August 2017.
- Contract awarded: October 2017.
- Begin Phase 1: December 2017.

# PCM: Project plan

Steps toward project success:

- Contacted other GenTax states.
- Executed an RFI.
- Office of the State Chief Information Officer (OSCIO).
  - Stage gate process.
  - Gate 1 approval—February 2017.
- Third-party quality assurance.

# PVS overview

A commercial off-the-shelf solution (COTS) will:

- Integrate our appraisal functions into one system.
- Allow for electronic communication with taxpayers and counties.
- Provide data analysis capabilities.
- Reduce reliance on paper documents and manual data entry.
- Provide a stable, long-term information technology platform for the department's valuation functions.

# PVS: Valuation program overview

## Valuation programs

- Central assessment: More than 500 companies.
- Industrial: More than 850 sites.
- \$54 billion in real market value (RMV) that yields approximately \$654 million in local tax revenue.

# PVS: Current IT environment and challenges

## Industrial program

- February 1 to June 30 (industrial return season).
- Excel, paper files, and database.
- Lack of integration, data analysis, or stability.

## Central assessment

- March 1 to August 25 (appraisal season).
- Excel and paper files.
- Lack of integration, data analysis, or stability.

# PVS: Current status

## Vendor selection

- Round three (of five) of the selection process.

## Stage gate 2 approved

- Stage gate 1—Approved February 17, 2016.
- Stage gate 2—Approved July 26, 2016.
- A second RFP has been issued.
- Notice of intent to award: May 1, 2017.
- Current anticipated go-live date is fall/winter of 2018.
- Quality assurance hired and project team fully staffed.