Centralized Revenue Opportunity System (CROS) Project

California State
Board of Equalization

Project Charter

Project Number 860-094

June 2012

Date Submitted for Review: _____

Formal Review

My signature below indicates I have reviewed this document:

Role	Reviewer Name	Signature	Date Reviewed
Project Director	Eric Steen		7/11/2012
Business Project Manager	Mike Skikos		7/11/2012
Technical Project Manager	Chris Kahue		7/11/12

Date Submitted for Approval: _____

Formal Approval

My signature below indicates I have read and approved this document:

CROS Steering Committee	Approvers Name	Signature	Date Approved
Executive Director	Kristine Cazadd	E Hansen for KC	7-11-12
Deputy Director, Sales & Use Tax	Jeff McGuire		7-11-12
Deputy Director, Property & Special Taxes	David Gau		7/11/12
Chief Information Officer	Brenda Fleming		7/11/12
Deputy Director, Administration	Liz Houser		7/11/12
Chief Counsel	Randy Ferris		7/11/12
Deputy Director, External Affairs	Jaime Garza		7-11-12
Research & Statistics Chief	Robert Ingenito		7/11/12

Revision Log:

Revision numbers begin with 0.01. Minor revisions will only affect the number right of decimal point. Major revisions are baselines and will be tracked by using 1.0 or 2.0 etc. and will affect the number left of the decimal point and reset the number right of the decimal point to zero. The revision log lists the most current version number on the last line of the log.

Version Number	Version Date	Revision Author	Summary of Major Changes Made
1.00	11/12/2010	N/A	Project Compact
1.01	06/06/2012	Cleveland Turner	Initial Draft-Revision to Project Compact
1.02	06/15/2012	Cleveland Turner	PM Review-Updated Project Objectives and Project Scope Statement
1.03	07/09/2012	Cleveland Turner	Steering Committee Staff Review

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1 Project Information

Project Information	
Project Director:	Eric Steen
Business Sponsors:	David Gau, Deputy Director, Property and Special Taxes
Business Sponsors:	Jeff McGuire, Deputy Director, Sales and Use Tax
Technology Sponsor:	Brenda Fleming, Chief Information Officer
Business Project Manager:	Mike Skikos
Technology Project Manager:	Chris Kahue
Project Criticality Rating:	High
Estimated Start Date:	September 7, 2011
Estimated End Date:	June 30, 2017

2 Background

The Board of Equalization (BOE) is one of California's oldest administrative agencies. Established by a constitutional amendment in 1879, BOE's original responsibility was to ensure that county property tax assessment practices were equal and uniform throughout the state.

Today, the BOE administers 34 different tax/fee programs which provide nearly 35% of the State's annual revenue. Revenues collected by BOE support hundreds of state and local government programs and services including transportation, education, healthcare, public safety, parks, social services, housing and natural resource management. More than one million businesses are registered with the agency.

The BOE consists of four elected board members, each representing an Equalization District, and the State Controller, an ex officio member representing the State at large.

The mission of the Board of Equalization is to serve the public through fair, effective, and efficient tax administration. The agency's goals are to:

- Improve the Customer Experience
- Maximize Voluntary Compliance
- Invest in a Skilled, Motivated and Diverse Workforce
- Enhance Operational Effectiveness

To carry out the mission and goals of the agency, the BOE employs a staff of nearly 4,000 people in its Sacramento headquarters and 25 district offices which includes three out-of- state offices (New York, Chicago, and Houston). Out-of-state staff serves customers that conduct business in California, but maintain their main offices and records outside the State.

The tax/fee programs administered by the BOE are concentrated in four general areas:

Sales and Use Tax

The Sales and Use Tax Department (SUTD) is responsible for administering the sales and use tax in California.

Special Taxes and Fees

The Special Taxes and Fees Division administer 30 tax/fee programs, which include fuel taxes, excise taxes, and environmental fees.

Property Taxes

The Property Taxes Division oversees the assessment standards and practices of the State's 58 county assessors, who are charged with assessing most property. In addition, BOE assesses the property of railroads and privately owned public utilities, enabling counties to use those values to collect local property tax.

The main functions for the tax/fee programs are registration, return processing, cashiering, collections, audits, and appeals.

Tax Appellant

The Tax Appellant program oversees the appeals process. Customers, who disagree with staff decisions regarding taxes or fees they owe, may seek resolution through the BOE's administrative appeals process.

As a principal revenue-generating agency of the State, the BOE is often required to interpret and implement statutory changes mandated by the legislature. With the current budgetary environment, the legislature has sought new revenue sources and passed legislation that changed the number of tax/fee programs, expanded the number of customers that are required to register with BOE and modified existing tax/fee rates.

Detailed analysis is required to evaluate the workload impact on existing programs and information technology prior to implementation of statutory changes. Significant resources from both program and information technology are needed to implement statutory changes that involve, but are not limited to, modifying and/or creating tax forms, developing new program policies and procedures, notifying impacted customers, reprogramming existing systems and adding system applications.

2.1 Business Problem or Opportunity

In 2009, the BOE evaluated its current automation systems in response to a number of events, such as recent statutory changes, legislatively mandated new tax/fee programs, a reduction in funding to implement program efficiency projects (i.e. Digital BOE - Return Process Efficiencies sub-project), and an increase in data center costs. The evaluation's main focus was centered on the Integrated Revenue Information System (IRIS) and the Automated Compliance Management System (ACMS). The results of the evaluation showed that BOE's processes for all tax and fee programs are operating on legacy systems architected with 1980's technology. Technologies have improved significantly over the past years and the BOE has not been able to meet the demands of its business customers for state-of-the-art services.

2.1.1 Problems

The BOE's legacy systems significantly hinder the agency's ability to efficiently and effectively implement, administer and evaluate its tax/fee programs.

These legacy systems impact the program as follows:

- Systems are inflexible
- Limits program functionality and new technologies for staff
- Systems are difficult to navigate
- The system is not organized around the customer
- Limits online services and new technologies for customers
- Long learning curves for existing and new staff
- Difficult to fully utilize external data sources
- Does not fully provide the ability to quickly identify current workload imbalances, predict future resource needs or effectively monitor daily activities
- Lacks ability to automatically reassign cases when staff is on extended vacation or leave
- Lacks the ability to track Outreach efforts to businesses
- Lacks the ability to track time spent by staff on various cases
- Lacks modeling and analytics to support program intelligence and strategic planning
- Requires technology staff to obtain data extracts for reports which can be costly and time consuming
- Lacks true automation to assist in production activities
- Program processes are dictated by the existing system
- Data quality issues have caused inaccuracies and processing difficulties

2.1.2 Opportunities

BOE is in a unique position to:

- Work with our business customers to obtain input for the development of a new system to reduce BOE's impact on their business operations
- Improve customer satisfaction by offering more online services, streamlining processes and increasing transaction accuracy and security
- Improve program efficiency and utilize best practices from other tax agencies
- Meet or exceed Internal Revenue Service (IRS) or other external or internal security requirements
- Learn from other revenue agencies successful implementation of performance based, benefits-funded procurements
- Take advantage of the increased number of proven technology options for integrated tax administration systems
- Develop data warehouse capabilities
- Improve BOE's automated capability to share data with federal, state and local agencies
- Provide improved services to local tax jurisdictions
- Utilize mobile and web based technologies
- Provide intuitive interfaces available
- Allow for a continuous work flow instead of grouped document processing

2.2 Project Purpose

The BOE has concluded that it must replace its legacy system to meet the needs of its staff and the public. Therefore, we are embarking on a project to:

- Decrease tax and fee gap
- Improve service to tax and fee payers and other customers
- Reengineer & improve business processes
- Provide ability to work securely anytime and from anywhere
- Obtain an intuitive and easy to use system
- Improve access to data and data sharing
- Obtain flexible, agile, expandable & sustainable technology to support business changes

3 Project Objective Statement

The objectives of this project are outlined below. The BOE expects to meet or exceed these objectives.

Objectives
A. Develop and deploy an integrated and automated tax/fee system that increases revenue around $190 million per year when the system is fully implemented.
B. Improve service to customers by expanding online services beyond return filing, payments, registration, and request for extensions and relief of penalties. Develop customer centric records which will result in reducing the number of customer contacts to staff.
C. Reengineer and improve program processes by 25% by reducing paper, streamlining manual program processes, automating program processes, and developing an effective case management system.
D. Provide the ability to work securely anytime and from anywhere utilizing the latest mobile devices and allowing real-time information access to field staff and to pass a third party IT security audit.
E. Obtain an intuitive and easy to use system, as measured by reducing system training time from on average six months to three months, the ability to personalize user interfaces and screens and utilize the most current technology.
F. Improve access to data and data sharing to support real-time transaction updates, reduce the number of requests for system fixes by 90% (currently there are over 2,000 help desk tickets), support program generated reports, improve data matching capabilities and improve access to third party data.
G. Obtain flexible and sustainable technology to reduce the time needed to implement legislative changes, allow program to easily change system rules, accept concurrent system changes, reduce standalone support systems and use component architecture of re-useable shared components.

3.1 Estimated Revenue and Cost Savings

Type	One-time Amount	On-going Amount
Estimated Revenue Increase	$75 mil 1st year $90 mil 2nd year $120 mil 3rd year	$192,000,000 per year when fully implemented 4th year and ongoing
Estimated Cost Savings	N/A	N/A

4 Project Scope Statement

The CROS Project will replace the Integrated Revenue Information System (IRIS) and Automated Compliance Management System (ACMS) and develop an enterprise data warehouse. The proposed system will provide an integrated and automated solution that will use up-to-date tax collection, storage, account management and data retrieval technologies to maximize the effectiveness of BOE's operations and staff. The proposed system will also provide efficiencies to businesses reducing the time and effort needed to interact with the BOE.

The following BOE tax programs and automated systems are in or out of scope for the CROS Project as shown.

BOE Tax Programs	
In Scope[1]	**Out of Scope[2]**
Sales and Use tax	Property Tax
Special Taxes and Fees except as listed in out of scope	Private Railroad Car
Timber Tax	Homeowners Exemption
Automated Systems	
In Scope	**Out of Scope**
IRIS	Board Roll
ACMS	Legal Entity Ownership Program (LEOP) system
Consumer Use Tax Section (CUTS) Document System	Private Railroad Car system
	Voter Registration system
	Homeowners Exemption system

Software	
In Scope	**Out of Scope**
• Enterprise software[3] ○ Avaya call center solution ○ Documentum (Enterprise Content Management)	
• eServices[4]	
Standalone systems that may be replaced or need interfacing with New system[5]	
• Clementine - Identify potential audits • START 21 – Audit program • Other Work-Around Systems	

Notes:
1. Includes automatic interfaces to other systems
2. These systems will not interface to the new system except to possibly share a global EFT function
3. BOE has made a large investment into this enterprise software. Vendors must interface with this industry standard software and incorporate into their approach for overall solution.
4. The decision to replace or interface will depend on vendors proposed solution.
5. A BOE wide survey is currently being completed to identify current work around systems being used. The decision to replace or interface will depend on vendors proposed solution.

5 Customers/Stakeholders

Customers/Stakeholders
Business Owners Tax or fee payers
Business Associations Trade groups Tax organizations
Business Representatives Accountants / Tax Practitioners Legal Representatives
General Public
Local Governments City and County
Federal Government Internal Revenue Service Federal Aviation Administration US Coast Guard US Customs

Customers/Stakeholders
State Agencies Department of Motor Vehicles Franchise Tax Board Employment Development Dept Department of Toxic Substances Control State Controllers Office State Treasurers Office Department of Finance California Environmental Protection Agency Housing & Community Development California Highway Patrol Public Utilities Commission Department of Resource Recovery Department of Alcohol Beverage Control Secretary of State

6 Strategic Fit

The BOE has developed long range business and strategic plans which include a technology component. Per the BOE Strategic Plan, Business Plan and the Technology Strategic Plan (2020 Plan) the following issues and strategies relate to this project:

Strategic Plan Goal	Strategic Plan Objective
Goal 1: Improve the Taxpayer Experience	1.1 Expand Communication through Web Services 1.2 Provide Continuity of Service throughout the Customer Experience
Goal 2: Maximize Voluntary Compliance	2.1 Reduce the Tax Gap 2.2 Improve Taxpayer Education and Outreach 2.3 Ensure Taxpayers' Rights Protection
Goal 4: Enhance Operational Effectiveness	4.1 Improve Partnerships 4.2 Leverage Technology 4.3 Implement "BOE of the Future" 4.4 Expand Environmental Stewardship
	Business Plan Objective
	Same as strategic plan objectives

2020 Plan Strategic Concept	2020 Plan Goal Alignment
2.1.1 Becoming Digital	• Develop architecture and standards so that BOE can become digital; • Capture incoming data in a digital form; and • Convert existing paper to digital data.

2020 Plan Strategic Concept	2020 Plan Goal Alignment
2.1.2 Data Without Walls	• Build an enterprise repository that enables BOE to have a common understanding of our data; • Organize our data to be searchable, geographical, and sharable; and • Develop services for the access and exchange of our data.
2.1.3 BOE@Glance	• Construct a data warehouse and provide analytical tools; • Create business-oriented views and standard reports of our information; and • Permit ad hoc and "what if" analyses for our decision makers.
2.1.4 BOE MyWay	• Provide a customizable website for taxpayers; • Support different communication methods for our taxpayers based on their preferences; and • Offer taxpayers information useful to their businesses.
2.1.5 BOE Works	• Modernize the look and feel of BOE's current systems; • Provide a mobile work environment for our employees; and • Give employees self-service access to administrative processes

7 Assumptions

Assumptions
1. The department will use a performance-based, benefit-funded procurement model.
2. Management will maintain the project as high priority throughout the System Development Life Cycle (SDLC).
3. Substantial benefits will be derived from the CROS Project solution to fund the procurement and implementation.
4. There will be sufficient interest from qualified vendors for CROS Project bidding.
5. Higher priority projects will not impact the schedule or resource requirements.
6. The scope of the project is limited to programs or systems described in this document.
7. The State's existing tax/fee structures will remain relatively constant.
8. Customers will continue to be able to file electronically or by paper return.
9. Project implementation and deployment activities will not negatively impact program activities.
10. BOE project management will provide staff, with the required skills, and program resources as they are needed.

Assumptions
11. BOE management will make decisions quickly and consistent with the project schedule.
12. Vendor resources will be utilized during SDLC phases.
13. The project will adhere to a formal project management methodology and project schedule. Proactive risk, issue, and change management strategies will be employed.
14. A rigorous change management program is developed and in place to manage resistance to change and to encourage BOE staff and other stakeholders to participate and adopt the new system and processes.
15. Agencies will negotiate timely interagency exchange agreements as required to successfully develop, implement, and test system interfaces and data exchange processes.
16. All CROS Project tasks will be completed as planned.

8 Constraints Flexibility Matrix

The project trade-off matrix shows the priority of importance of project schedule, scope, resources and quality, and uses a factor of 1 (highest) to 4 (lowest) for each of the categories.

Schedule	Scope	Resources	Quality
3	1	4	2

9 Dependent Projects

Project Name	Dependency Description
None	

10 Interdependent Projects

Project Name	Interdependency Description
None	

11 Identification of Risks

The Risk Management plan describes the activities for identifying project risks, determining probability, impact and exposure. This table displays the initial project-level risks identified for the CROS project.

ID	Risk Description	Probability	Impact	Exposure
1	Passage of legislation may mandate system changes and require resources which will impact CROS project objectives and result in changes to requirements, implementation delay, or additional costs.	70%	3	2.10
2	Data cleansing, data validation and data mapping activities result in IRIS and ACMS data being converted incorrectly into the CROS solution.	70%	5	3.50
3	Limited BOE resources available to complete tasks required by project schedule.	50%	3	1.50
4	Contractor's system design for the CROS solution, its implementation, and/or its execution fails resulting in the business not being able to perform their critical processes.	30%	5	1.50
5	Selected Contractor is not able to produce the solution as defined in the contract.	30%	5	1.50
6	The CROS system does not contain adequate security measures for the identification of users (i.e. taxpayers, local jurisdictions, BOE staff, etc...) to verify, validate, and track user access and modifications to confidential information.	30%	5	1.50
7	The Revenue estimate is lower than required to support payment to the vendors; the project scope will be impacted.	30%	4	1.20
8	CROS is not adequately designed to meet future business expansion and growth needs such as new tax or fee programs and integration of new technologies.	30%	4	1.20
9	Lack of a competitive procurement process will result in the selection of a solution that is not the best value for the State and may not be approved and funded.	10%	5	0.50
10	All Staff and/or specific units may be relocated out of the Headquarters building to a new site or sites.	10%	3	0.30

12 Project Schedule

12.1 Project Schedule Milestones

CROS Procurement RFP/ Solicitation		
Task	Start	Finish
Pre-Solicitation		
Release RFI and copy of draft RFP	7/20/2012	7/20/2012
Solicitation		
RFP Released	10/22/2012	10/22/2012
Bidders Conference	12/5/2012	12/5/2012
Compliance Phase		
Receive Conceptual Proposals	1/22/2013	1/22/2013
Confidential Discussions with Individual Bidders	2/4/2013	2/20/2013
Final Phase		
Receive Draft Proposals	7/22/2013	7/22/2013
Receive Final Proposals	11/12/2013	11/12/2013
Conduct Cost Opening	3/13/2014	3/13/2014
Select Bidder	3/24/2014	3/24/2014
Special Project Report (SPR)	4/3/2014	4/18/2014
Notify Joint Legislative Budget Committee (Section 11)	6/13/2014	6/30/2014
Board Members Approval of Contract	6/18/2014	6/18/2014
Issue Letter of Intent to Award	6/18/2014	6/18/2014
Award Contract	6/30/2014	6/30/2014
Start Development	7/1/2014	7/1/2014

13 Project Budget

13.1 Total Estimated Project Costs

The costs shown are from the approved Special Project Report (SPR) dated March 15, 2012.

	One-Time IT Project Costs	**Continuing IT Project Costs**
Staff (Salaries & Benefits)	$39,657,344	$17,978,902
Hardware Purchase	$10,096,670	$9,245,943
Software Purchase/License	$17,030,180	$17,707,104

	One-Time IT Project Costs	Continuing IT Project Costs
Telecommunications	$488,058	$8,865,932
Total Contract Services	$116,275,957	$0
Data Center Services	$288,127	$29,735,236
Agency Facilities	$0	$0
Other	$1,301,166	$746,648
Total	$185,137,502	$84,279,765
Total Project Costs	**$269,417,267**	

13.2 Source of Funding

The CROS procurement will be funded from redirections and a BCP for staffing and other costs.

Funding Source
Redirection
BCP- General Fund

The BOE expects the solution to generate additional revenue into the State General Fund. BOE proposes a solution involving a performance-based, benefits-funded procurement of a vendor contract and BOE in-house development of specific components. The vendor contract would be for the purchase of an existing software product, necessary hardware, and vendor resources to customize the software according to BOE's needs. This software would provide the primary functionality for supporting program activities and generation of management reports. The vendor will be responsible for the overall project integration and assist in project change management activities. BOE staff will work with the vendor to provide legacy system data migration and modifications needed for ancillary systems to accommodate the new system and functionality.

This project will be funded by increased revenue from implementation of the proposed system. Vendors must agree to provide the initial funding for hardware, software and custom development and be paid a portion of the revenue the proposed solution generates. The vendor contract will contain a maximum dollar cap for the vendor and the vendor will not receive full compensation if sufficient revenue levels are not met or if business program process deliverables are not provided.

14 Project Organization

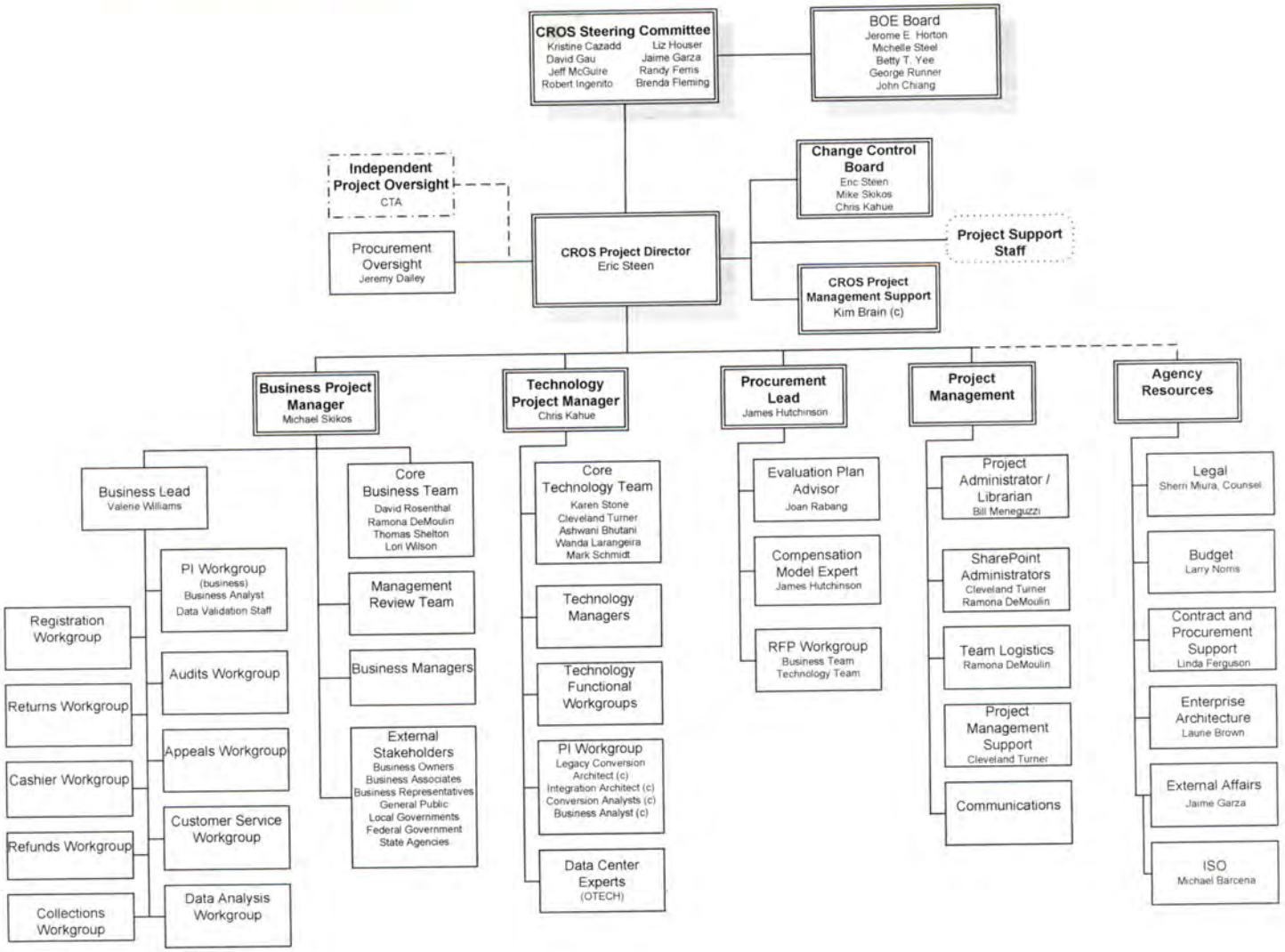
14.1 Project Management

Name	Role	Department/Division
Eric Steen	Project Director	CROS
David Gau	Business Sponsor	Property and Special Taxes
Jeff McGuire	Business Sponsor	Sales and Use Tax
Brenda Fleming	Technology Sponsor	Technology Services Division
Mike Skikos	Business Project Manager	CROS
Chris Kahue	Technology Project Manager	CROS

14.2 Steering Committee

Steering Committee Members	
Kristine Cazadd	Executive Director
David Gau	Deputy Director, Property & Special Taxes
Jeff McGuire	Deputy Director, Sales and Use Tax
Liz Houser	Deputy Director, Administration
Jaime Garza	Deputy Director, External Affairs
Brenda Fleming	Chief Information Officer
Randy Ferris	Chief Counsel
Robert Ingenito	Chief, Research and Statistics

14.3 Core Team

Team Member Name	Role
Dave Rosenthal	Business Analyst
Lori Wilson	Business Analyst
Karen Stone	Data Conversion, Technical Lead
Valerie Williams	Business Lead
Ramon Demoulin	Business Analyst
Bill Meneguzzi	Project Administrator
Ashwani Bhutani	Technical Programmer/Analyst
Wanda Larangeira	Technical Programmer/Analyst
Mark Schmidt	Technical Lead
Cleveland Turner	Project Management
Joan Rabang	Procurement Advisor
Julie Kouri	Procurement Staff
Kim Brain	Project Management Support
Darla Yohner	Project Support Staff

14.4 Project Organization Structure