Department of Revenue Administrative Services and Information Technology

Joint Committee on Ways and Means
Subcommittee on General Government
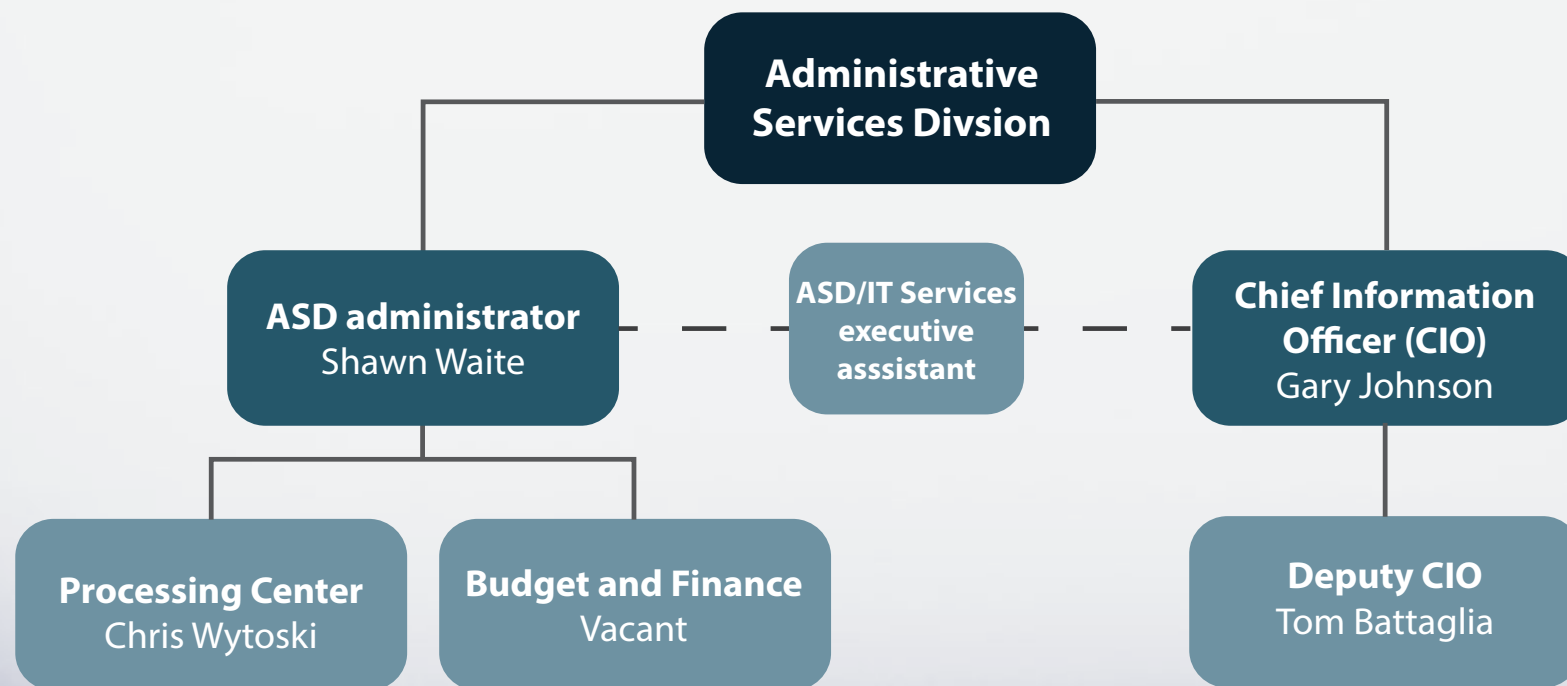
March 15, 2017

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Day four agenda

- Administrative Services Division (ASD)
  - Finance.
  - Processing Center.
  - Processing Center Modernization.
  - Payment Center.
- Information Technology Services (ITS)
  - IT Services profile.
  - 2015–17 projects.
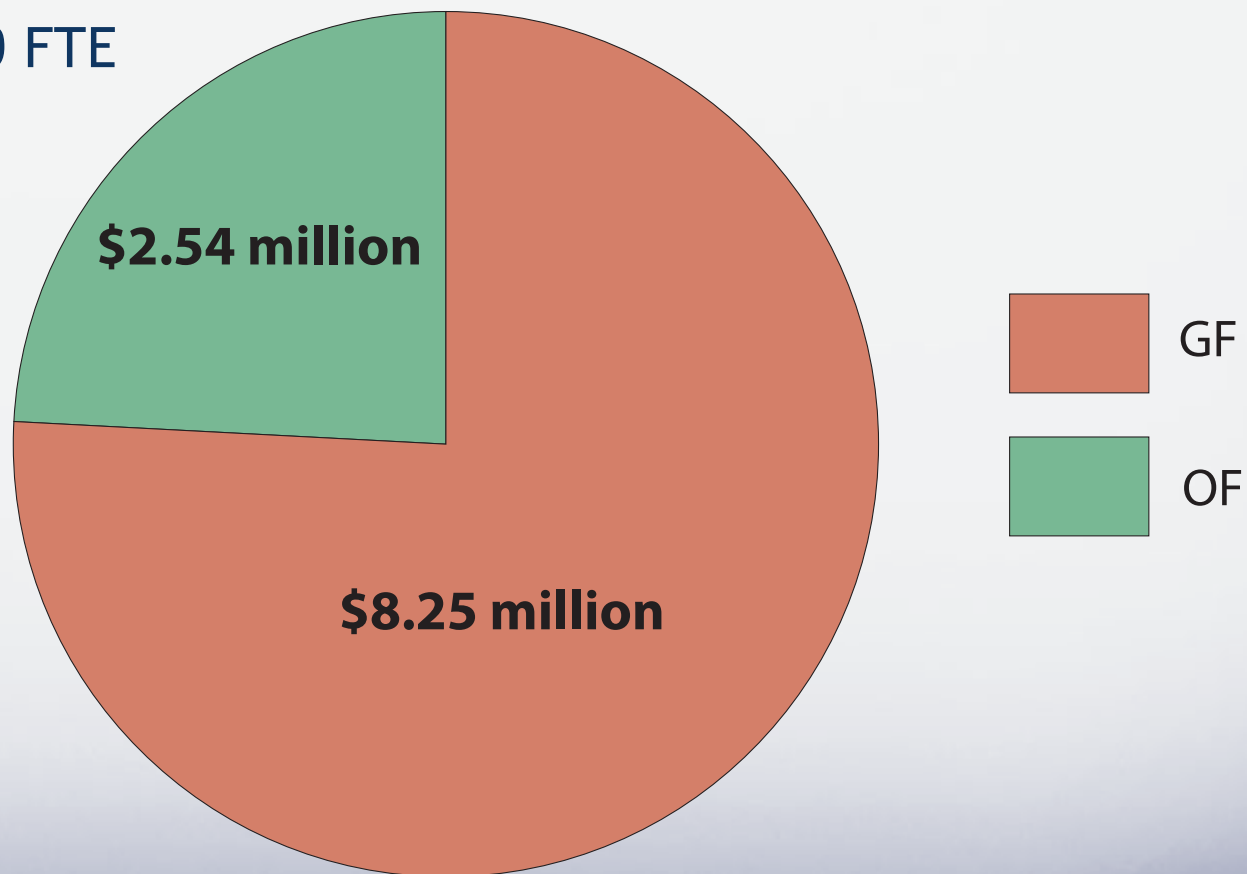 - Current IT project status.

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Administrative Services Division

```
                    ┌─────────────────────┐
                    │   Administrative    │
                    │  Services Divsion   │
                    └─────────────────────┘

┌──────────────────┐   ┌──────────────┐   ┌──────────────────┐
│ ASD administrator│---│ ASD/IT Services│--│ Chief Information │
│   Shawn Waite    │   │   executive   │   │  Officer (CIO)    │
│                  │   │  asssistant   │   │   Gary Johnson    │
└──────────────────┘   └──────────────┘   └──────────────────┘

┌──────────────────┐ ┌──────────────────┐  ┌──────────────────┐
│ Processing Center│ │ Budget and Finance│  │    Deputy CIO    │
│  Chris Wytoski   │ │      Vacant      │  │   Tom Battaglia   │
└──────────────────┘ └──────────────────┘  └──────────────────┘
```

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Finance

16 Positions/16.00 FTE

$2.54 million

$8.25 million

GF

OF

2015-17 Biennium
Source: DOR 2015-17 LAB

150-800-550 JCWMSGG ASD & IT (3-17)

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Finance—Accounting

- Generate financial statements.

- Transfers and distributions: $11,449,009,720 annually.

- GenTax Rollout 4—automated some distributions.

- Reconcile bond allowable expenditures.
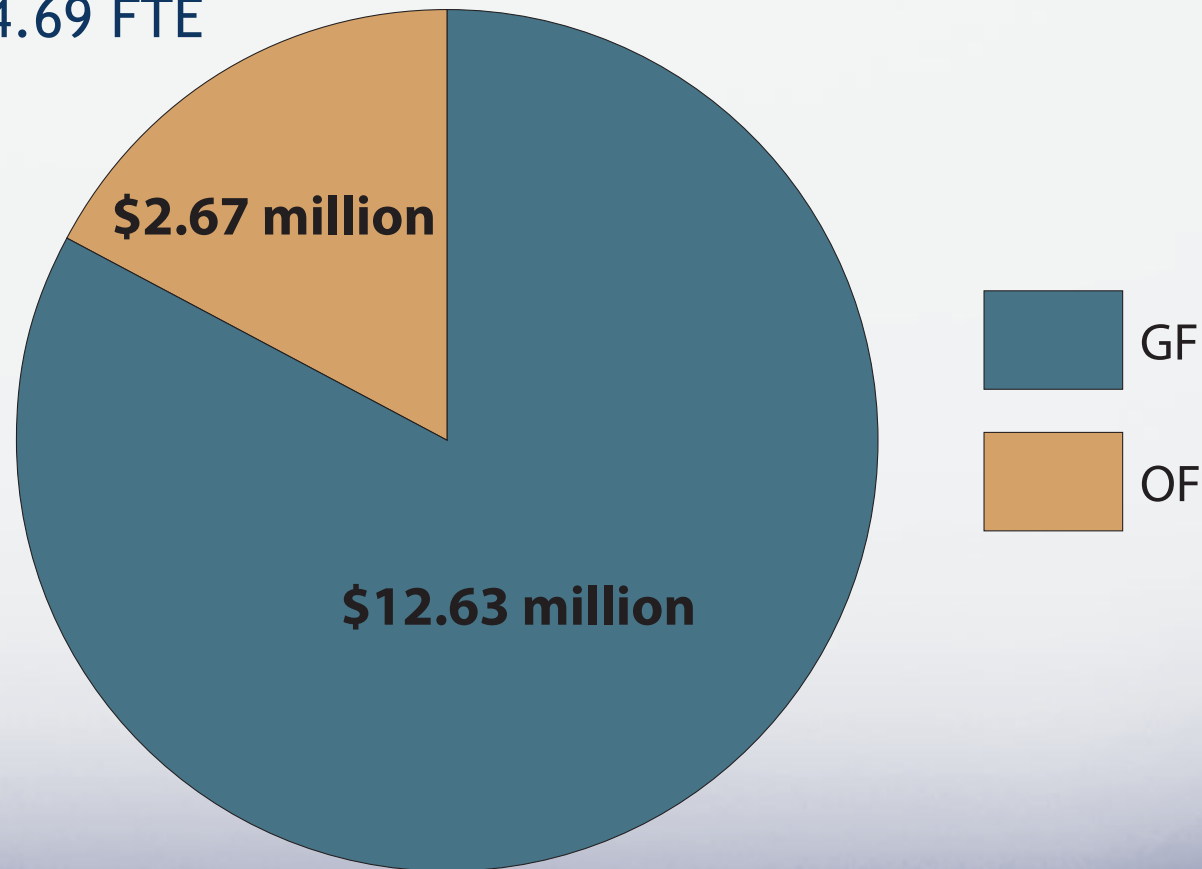
- Secretary of State audit findings.

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Finance—Procurement

- Conduct procurements under $150,000.

- Conducted contract administration training in alignment with HB 2375.

- All Procurement and Contract Specialists are certified.

- Staff attend training annually.

- SB 675—leading statewide effort.

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Processing Center

134 Positions / 104.69 FTE

$2.67 million

$12.63 million

GF

OF

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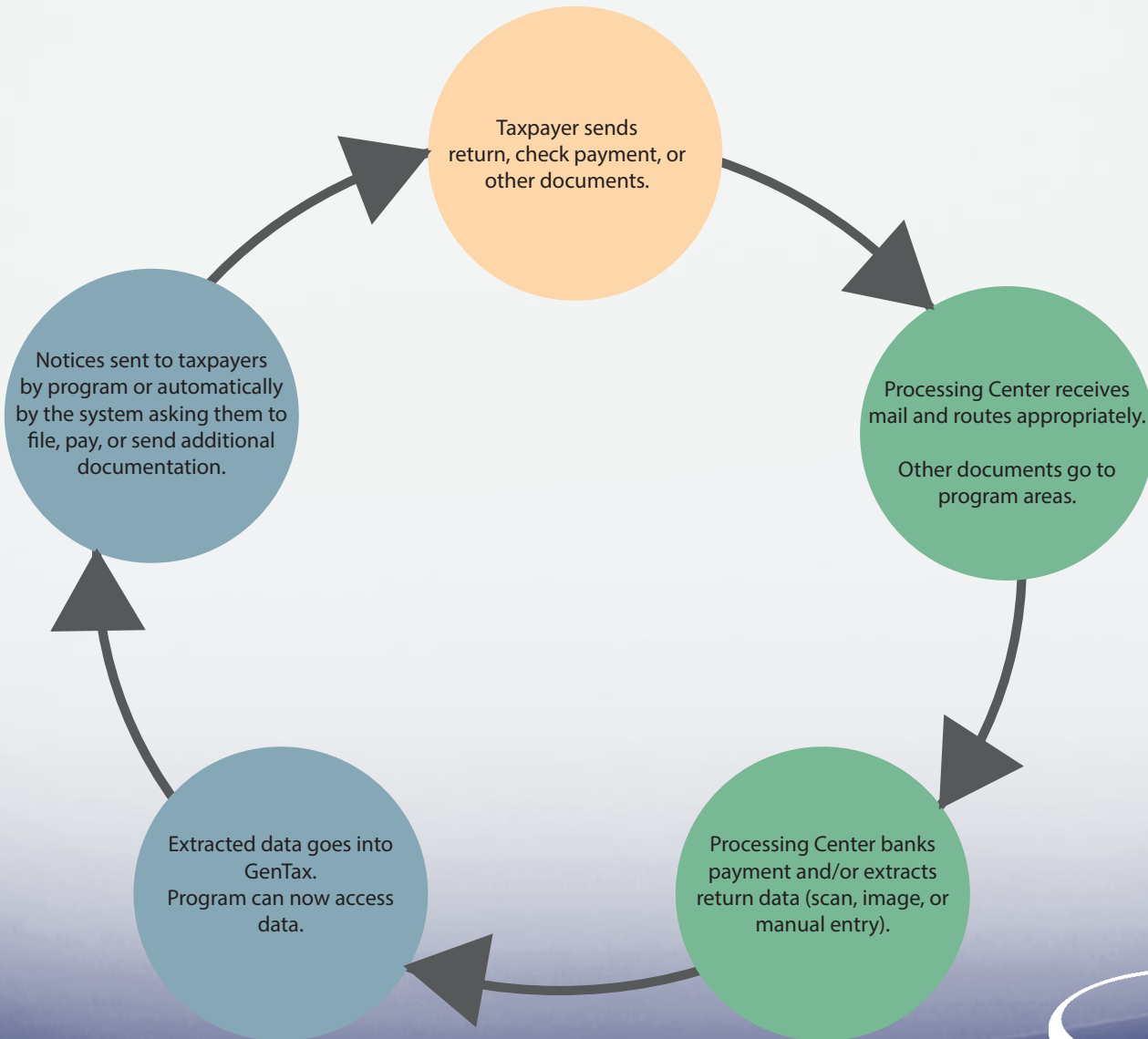OF REVENUE

150-800-550 JCWMSGG ASD & IT (3-17)
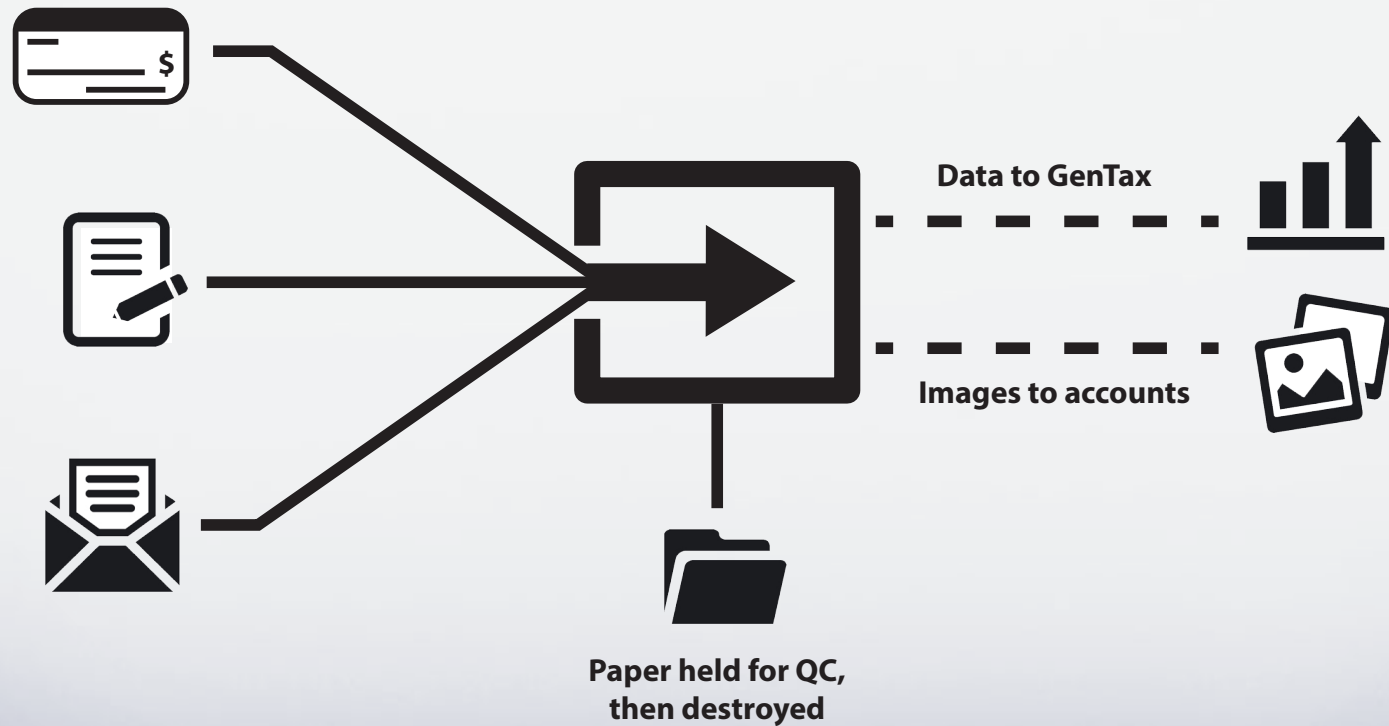
Processing Center units

- Mail Processing.

- Information Transcription Unit.

- Banking/EFT/Miscellaneous Cash.

- Error Resolution and Taxpayer Identification Unit.

- Files.

- Cash Transaction Unit.

- Operations.

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Processing Center—pipeline

Taxpayer sends return, check payment, or other documents.

Processing Center receives mail and routes appropriately.

Other documents go to program areas.

Processing Center banks payment and/or extracts return data (scan, image, or manual entry).

Extracted data goes into GenTax. Program can now access data.

Notices sent to taxpayers by program or automatically by the system asking them to file, pay, or send additional documentation.

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Processing Center's future

Data to GenTax

Images to accounts

**Paper held for QC,
then destroyed**

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Processing Center Lifecycle replacement project

Lessons Learned:

- OSCIO oversight was needed.

- Agency-wide participation was needed.

- RFI needed for cost estimate and solution options.

- Business case and other supporting documentation.

- Governance structure.

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Processing Center Modernization (PCM) Project

- Developed a new business case and project management plan.

- Working closely with OSCIO.

- Conducted a Request for Information - estimated costs for 2017–19 = $1.7 million.

- Limited Duration staffing needed (Business Analyst).

- Risks:
  - If PCM does not implement a permanent solution.
  - If Processing Center Operations Unit staff is reduced.

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Payment Center

- A new Payment Center is under construction on the first floor.
    - The marijuana industry being primarily cash-based and centralizing all cash payments.
    - Provides a more secure environment for our staff and taxpayers

- Construction costs for this project have increased since the original estimate during the 2015 regular legislative session.

- Construction is anticipated to be complete in October 2017.

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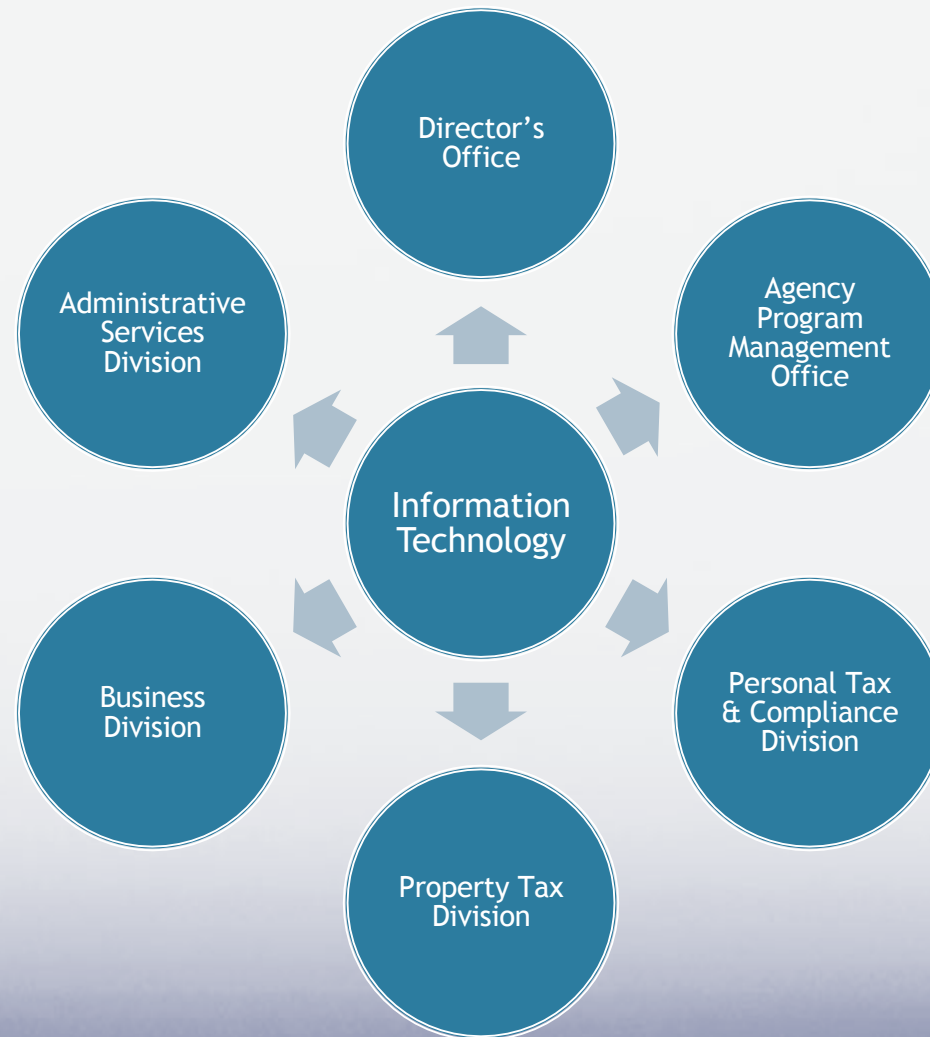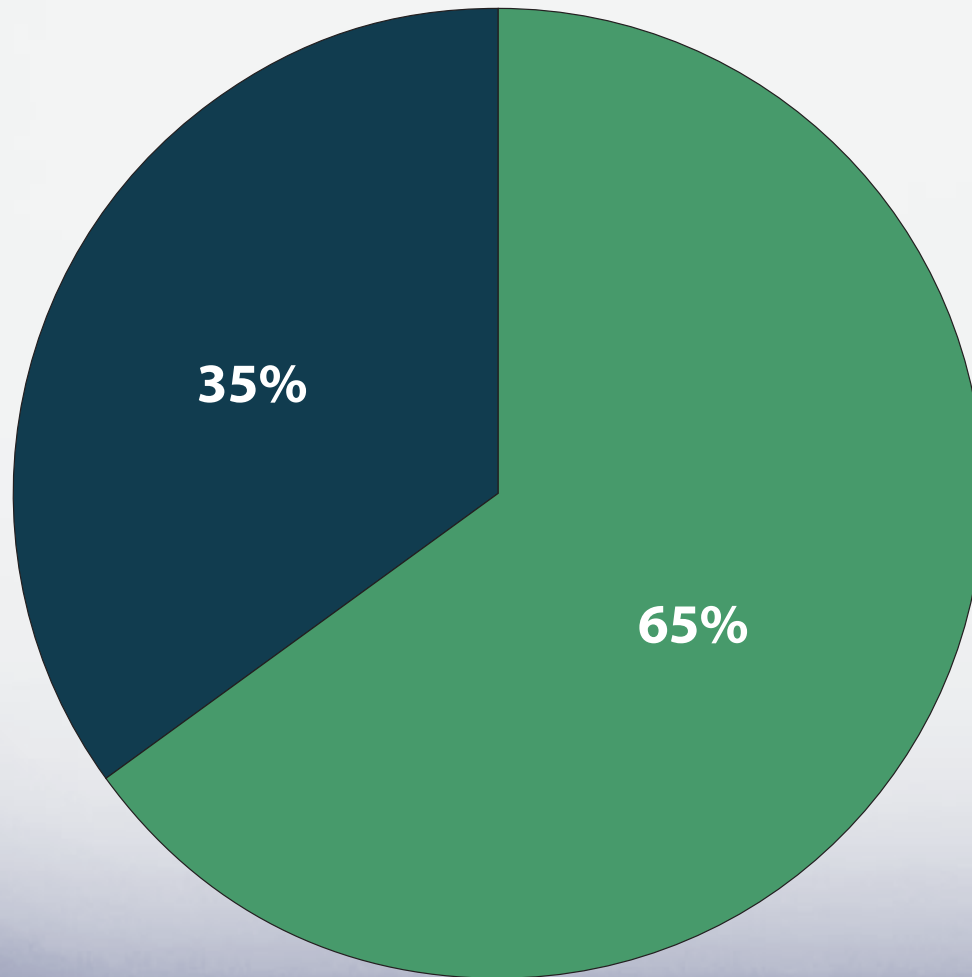DEPARTMENT
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ITS agenda

- IT Services Profile:
  - Customer & Program Summary
  - Budget
  - Organizational Structure
  - History
  - Current and Future Projects
- Governance
- Current IT Status on Agency Wide Projects
  - Core System Replacement (CSR).
  - Non-GenTax Application Remediation.
  - Property Valuation System (PVS).
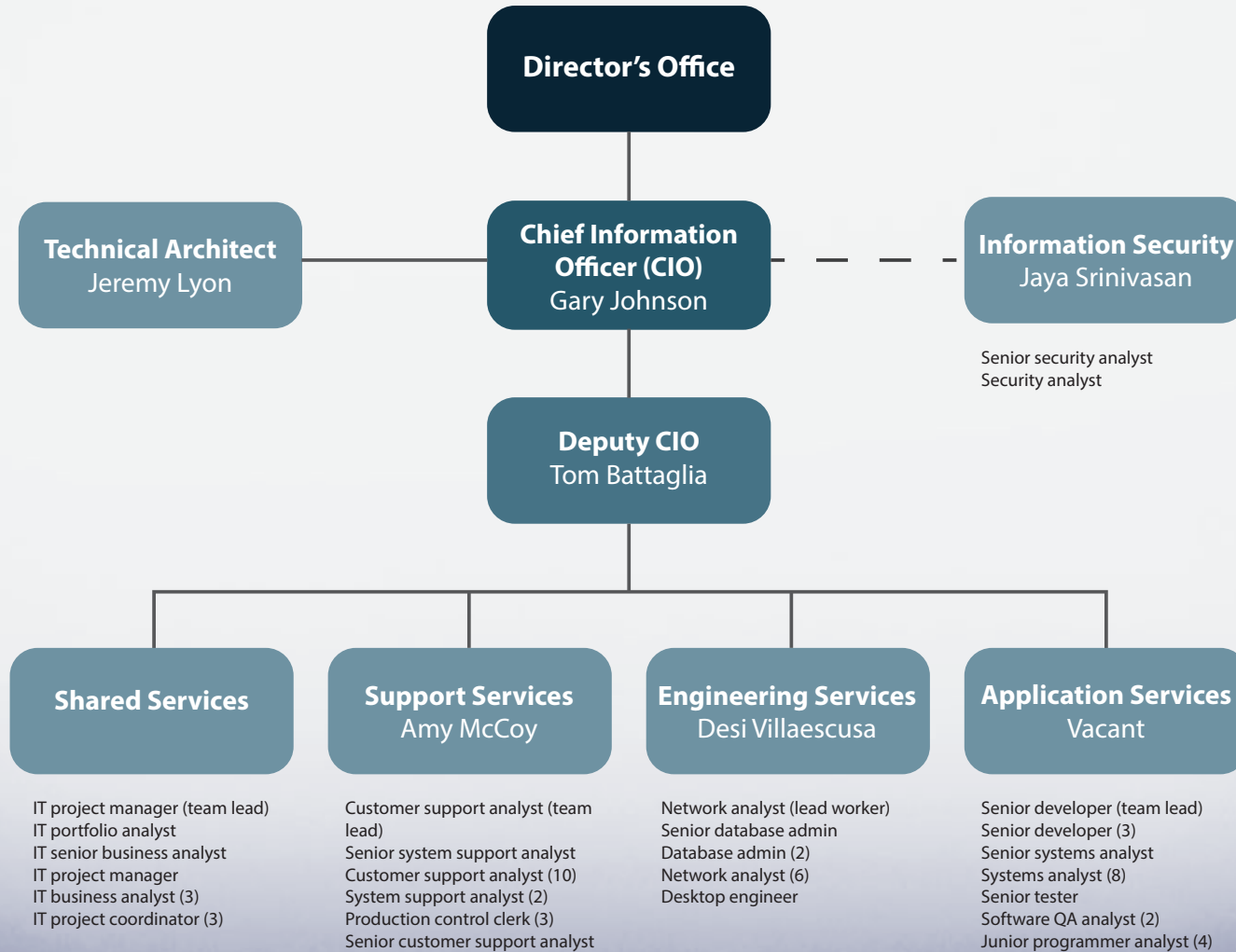 - Processing Center Modernization (PCM).

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Customer and Program Summary

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ITS budget

35%

65%

Personal services

Services and supplies

Total expenditures: $23,742,087

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ITS organization

Director's Office

Technical Architect
Jeremy Lyon

Chief Information Officer (CIO)
Gary Johnson

Information Security
Jaya Srinivasan

Senior security analyst
Security analyst

Deputy CIO
Tom Battaglia

Shared Services

IT project manager (team lead)
IT portfolio analyst
IT senior business analyst
IT project manager
IT business analyst (3)
IT project coordinator (3)

Support Services
Amy McCoy

Customer support analyst (team lead)
Senior system support analyst
Customer support analyst (10)
System support analyst (2)
Production control clerk (3)
Senior customer support analyst

Engineering Services
Desi Villaescusa

Network analyst (lead worker)
Senior database admin
Database admin (2)
Network analyst (6)
Desktop engineer

Application Services
Vacant

Senior developer (team lead)
Senior developer (3)
Senior systems analyst
Systems analyst (8)
Senior tester
Software QA analyst (2)
Junior programmer analyst (4)

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Where We Came From

2005-2011 (AKA - The Golden Years)

- Large development project oriented, build over buy.
  - Experimenting with Agile infused Waterfall.
  - IBM i, DB2 and WebSphere centric.
  - Legacy encapsulation gets us on the web.

- ITIL and Service Management.

- Enterprise Service Bus (ESB) and Service Oriented Architecture (SOA) drive application design.

- Legacy replacement planning starts (2009).

- On premise infrastructure.
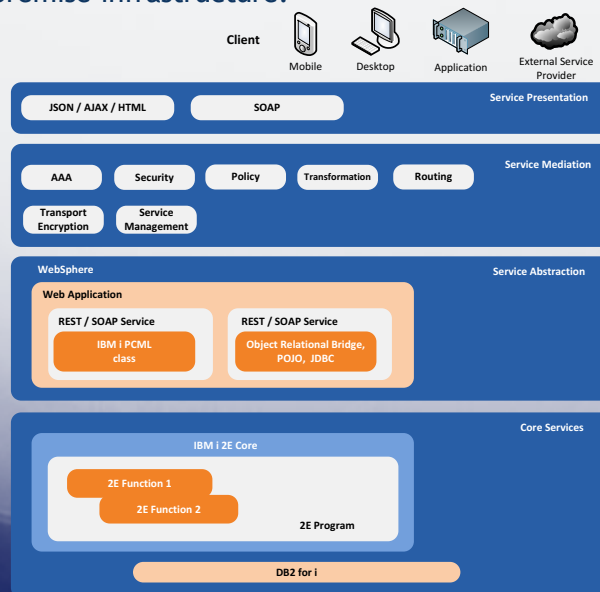
2012-2016 Rapid Change

- Buy over build:
  - Core System Replacement (CSR) project has had significant influence on enterprise architecture.
    - CSR Rollout 1, 2 & 3 successful.
    - ETS and DOR complete GenTax server farm.
  - Becoming a Microsoft shop.
  - Laying the groundwork for enterprise Microsoft adoption. EA, Premiere.

- Workflow and process automation instead of large scale development projects.

- First mobile app.

- Move from Java and COBOL encapsulation to C# and loosely coupled API integration.

- Focused security; protect, detect, respond.

- iPads, iPhones, MDM, security, approved apps, file sync and share, policy, customer enthusiasm.

- WebEx video teleconferencing for everyone.

- Secure and guest wireless building-wide.

- Getting better at getting better, SCCM and SCSM.

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IT projects

- Single development platform.

- CSR Rollout 4.

- Processing Center update.

- Telephony (Project MUSIC).

- Property Valuation System.

- SharePoint Online.

- Identity and access management in the cloud.

- Microsoft Azure.

- Office 365 Suite.

- Operations Management Suite.

- Process and knowledge improvement.

- Code management.

- ITIL based continual service improvement.

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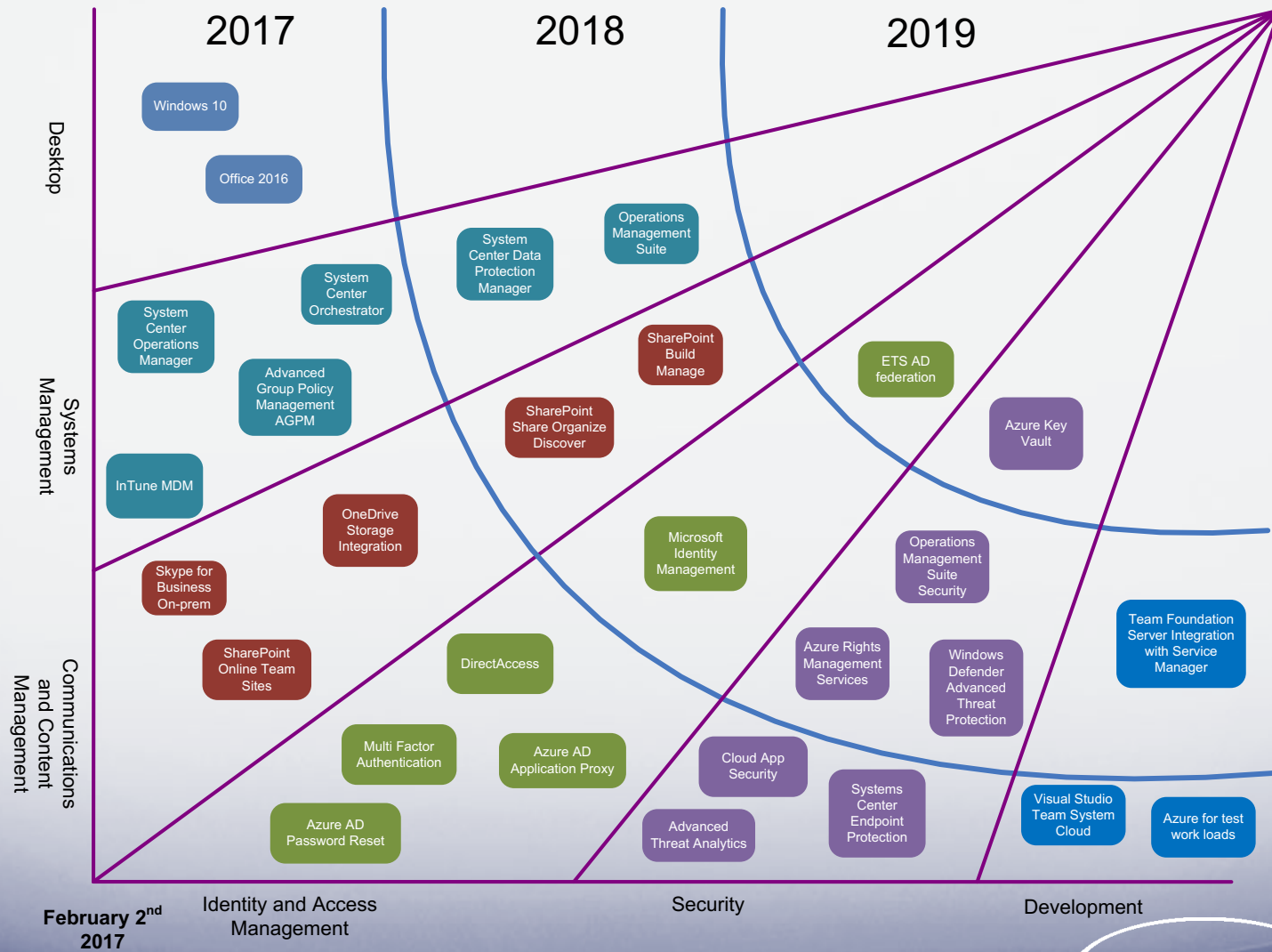
Governance

- Governance based on ITIL, PMI, Scrum.
- Significant work has been completed in the past 2 years.
  - Service Manager as new service management solution—currently closing out Phase 3 of multi-phased project to implement solution.
  - Engaged consultant to strengthen portfolio management, resource management.
  - Created formal business analysis (BA) processes.

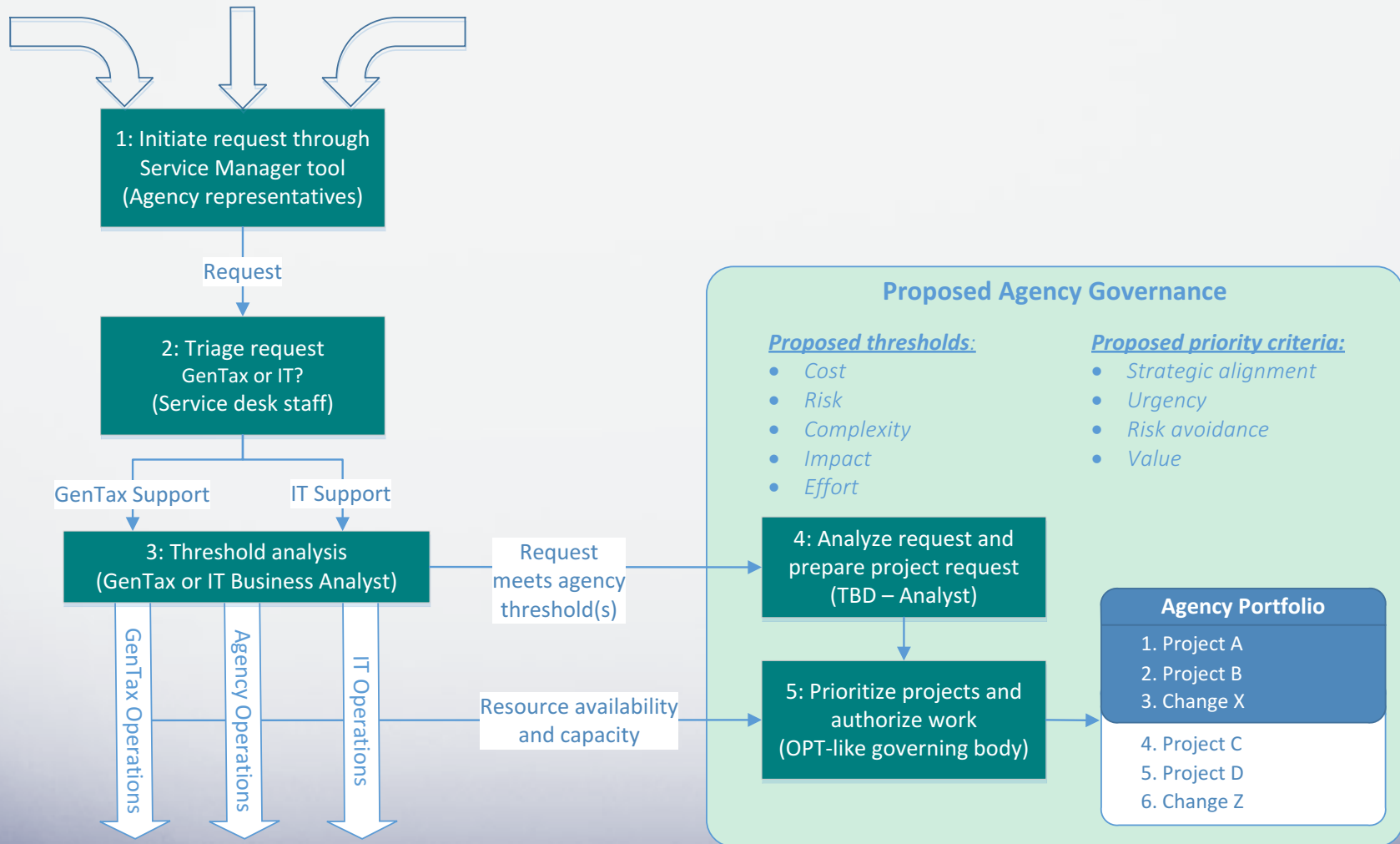OREGON
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Governance

- Project management methodology:

  - PMI—Waterfall approach.

  - SCRUM—Certified.

  - Formal acceptance/sign-off of deliverables.

- Integrated with the Office of the State CIO's Stage Gate process.

- Formal change management process for both application and project changes.

- Continuing to mature.

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Proposed Governance

1: Initiate request through Service Manager tool (Agency representatives)

Request

2: Triage request GenTax or IT? (Service desk staff)

GenTax Support   IT Support

3: Threshold analysis (GenTax or IT Business Analyst)

GenTax Operations   Agency Operations   IT Operations

Request meets agency threshold(s)

Resource availability and capacity

Proposed Agency Governance

Proposed thresholds:
- Cost
- Risk
- Complexity
- Impact
- Effort

Proposed priority criteria:
- Strategic alignment
- Urgency
- Risk avoidance
- Value

4: Analyze request and prepare project request (TBD – Analyst)

5: Prioritize projects and authorize work (OPT-like governing body)

Agency Portfolio

1. Project A
2. Project B
3. Change X
4. Project C
5. Project D
6. Change Z

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Major Project Status

- Core System Replacement (CSR).

- Non-GenTax Application Remediation.

- Processing Center Modernization (PCM).
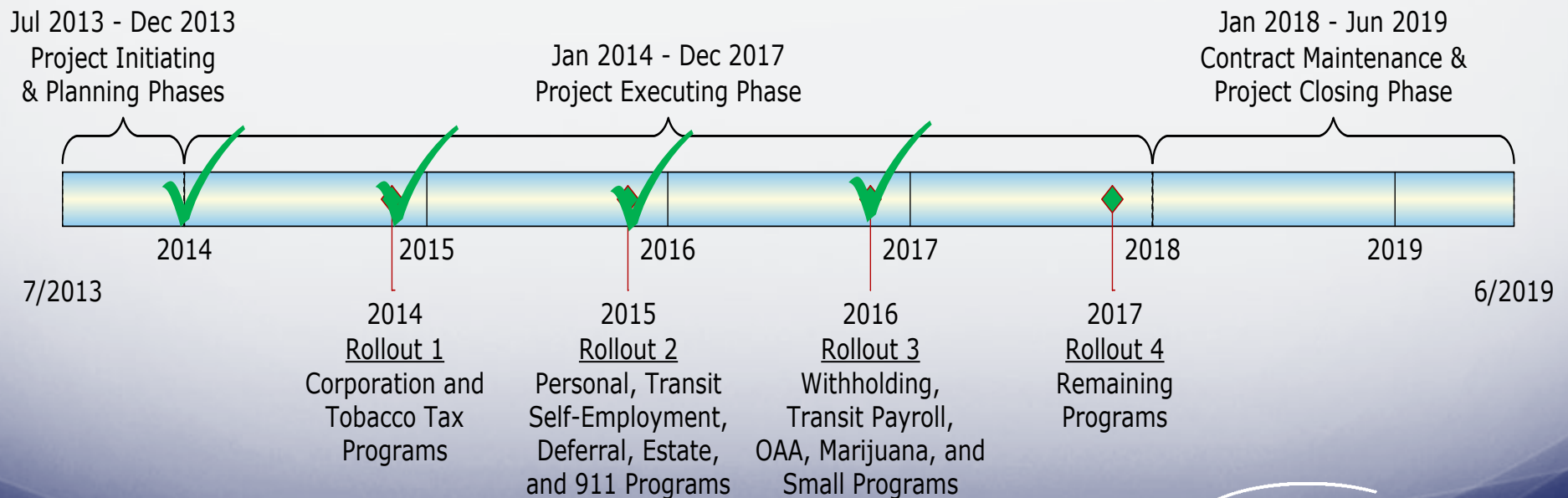
- Property Valuation System (PVS).

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CSR Project overview

Business case:

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

CSR Project Roadmap

Jul 2013 - Dec 2013
Project Initiating
& Planning Phases

Jan 2014 - Dec 2017
Project Executing Phase

Jan 2018 - Jun 2019
Contract Maintenance &
Project Closing Phase

2014   2015   2016   2017   2018   2019

7/2013

6/2019

2014
Rollout 1
Corporation and
Tobacco Tax
Programs

2015
Rollout 2
Personal, Transit
Self-Employment,
Deferral, Estate,
and 911 Programs

2016
Rollout 3
Withholding,
Transit Payroll,
OAA, Marijuana, and
Small Programs

2017
Rollout 4
Remaining
Programs

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150-800-550 JCWMSGG ASD & IT (3-17)

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).

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Legacy System

New System—GenTax (Mock Data)

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 to be baselined in April 2017.

- 126,000 taxpayers enrolled in Revenue Online.

- Quality assurance vendor remains positive—overall rating of green as of December status report.

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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
Total	**302**

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
Total	**302**

Application by Platform

Platform	Total
iSeries	40
Windows	185
SaaS	5
Web	69
Mainframe	3
Total	**302**

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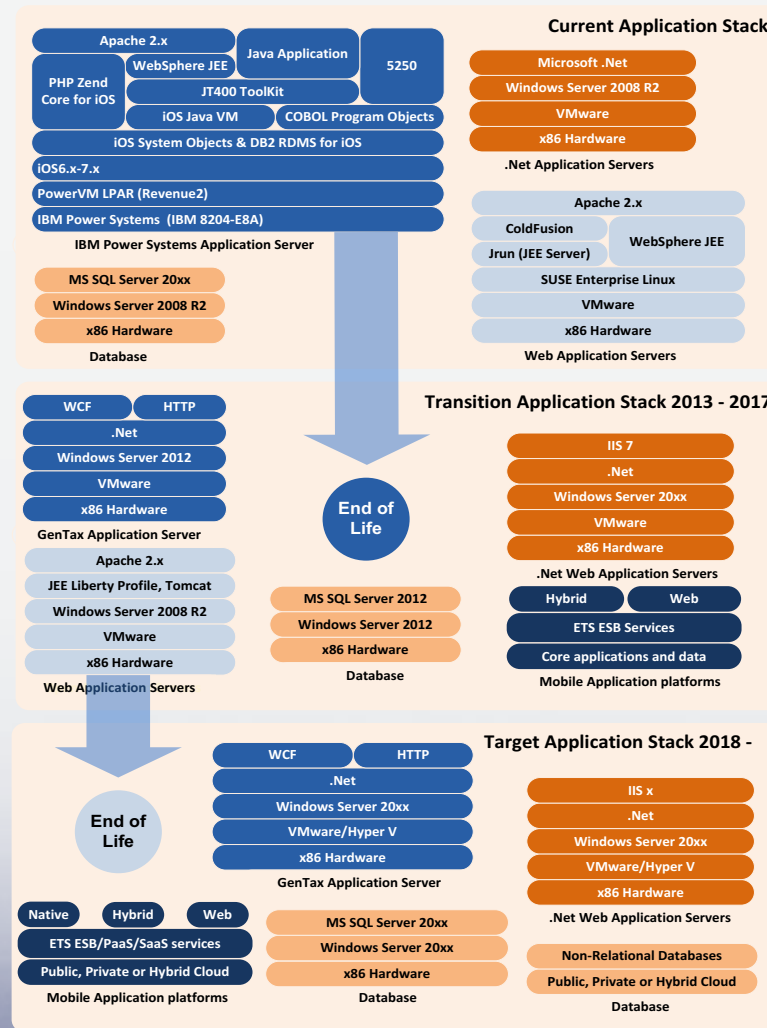
Why we need to change

- Application maintainability & expense.

  - Legacy infrastructure and licensing.

  - They're big and take too long to roll out.

- Difficult to mobilize.

- Siloed development.

- Out dated technologies.

- Improve customer support.

- Recruiting Issues.

- They're proprietary.

- Retiring workforce—22 percent eligible by 2019.

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Transition Plan

Current Application Stack

Apache 2.x
Java Application
5250
WebSphere JEE
PHP Zend Core for iOS
JT400 ToolKit
iOS Java VM
COBOL Program Objects
iOS System Objects & DB2 RDMS for iOS
iOS6.x-7.x
PowerVM LPAR (Revenue2)
IBM Power Systems (IBM 8204-E8A)
IBM Power Systems Application Server

Microsoft .Net
Windows Server 2008 R2
VMware
x86 Hardware
.Net Application Servers

MS SQL Server 20xx
Windows Server 2008 R2
x86 Hardware
Database

Apache 2.x
ColdFusion
WebSphere JEE
Jrun (JEE Server)
SUSE Enterprise Linux
VMware
x86 Hardware
Web Application Servers

Transition Application Stack 2013 - 2017

WCF
HTTP
.Net
Windows Server 2012
VMware
x86 Hardware
GenTax Application Server

Apache 2.x
JEE Liberty Profile, Tomcat
Windows Server 2008 R2
VMware
x86 Hardware
Web Application Servers

End of Life

MS SQL Server 2012
Windows Server 2012
x86 Hardware
Database

IIS 7
.Net
Windows Server 20xx
VMware
x86 Hardware
.Net Web Application Servers

Hybrid
Web
ETS ESB Services
Core applications and data
Mobile Application platforms

Target Application Stack 2018 -

End of Life

WCF
HTTP
.Net
Windows Server 20xx
VMware/Hyper V
x86 Hardware
GenTax Application Server

IIS x
.Net
Windows Server 20xx
VMware/Hyper V
x86 Hardware
.Net Web Application Servers

Native
Hybrid
Web
ETS ESB/PaaS/SaaS services
Public, Private or Hybrid Cloud
Mobile Application platforms

MS SQL Server 20xx
Windows Server 20xx
x86 Hardware
Database

Non-Relational Databases
Public, Private or Hybrid Cloud
Database

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Processing Center Modernization

Paper Returns & 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.

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Processing Center Modernization

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.

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Processing Center Modernization

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.

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Processing Center Modernization

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 of 2017.
- Award contract October of 2017.
- Begin phase one December of 2017.

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Processing Center Modernization

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.

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PVS—Valuation program overview

Valuation Programs

- Central Assessment: over 500 companies

- Industrial: over 850 sites

- $54 billion in Real Market Value (RMV) that yields approximately $654 million in local tax revenue.

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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.

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PVS Project 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 analytic capabilities.

- Reduce reliance on paper documents and manual data entry.

- Provide a stable, long-term information technology platform for the department's valuation functions.

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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 on May 1, 2017.

- Current anticipated go-live date is fall/winter of 2018.

- Quality assurance hired—Project team fully staffed.

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Questions?

If you have additional questions after today please contact:

Shawn Waite
Shawn.waite@oregon.gov
503-945-8466

Gary Johnson
gary.johnson@oregon.gov
503-945-8095

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