ADOA-ASET
Arizona Strategic Enterprise Technology

Project Investment Justification

State Tax Accounting and Reconciliation System (STARS) Discovery and Planning Phase

RV23006

Department of Revenue

Contents

1. GENERAL INFORMATION

PIJ ID: RV23006
PIJ Name: State Tax Accounting and Reconciliation System (STARS) Discovery and Planning Phase
Account: Department of Revenue
Business Unit Requesting: Department of Revenue
Sponsor: Robert Woods
Sponsor Title: Director
Sponsor Email: rwoods@azdor.gov
Sponsor Phone: (602) 716-6047

2. MEETING PRE-WORK

2.1 What is the operational issue or business need that the Agency is trying to solve? (i.e....current process is manual, which increases resource time/costs to the State/Agency, and leads to errors…):

A feasibility study was conducted to discuss the current state of business operations and the systems supporting those operations. These sessions identified a series of observations with implications for ADOR's ability to realize its vision of funding Arizona's future through excellence in innovation, customer service and continuous improvement.

Key observations included:

- There are currently a variety of systems and other tools being utilized to support operations, which often do not integrate with each other, creating inefficiencies in operations and conflicting data outputs;

- Use of the multiple systems has resulted in some loss of data integrity;

- Most of the key systems are old technology and are becoming increasingly difficult and costly to maintain;

- The lack of integration and uncertainty of data make taxpayer service and compliance activities much more difficult, resulting in:

    - Taxpayer and tax service provider frustration and loss of confidence;

    - Reduced employee productivity;

    - Lost revenue for the State;

    - Lack of efficiency in producing accurate and timely data and analyses requested by state legislative or executive branch staff and other

      state and local agencies;

    - Employee frustration and employee turnover.

All of these factors lead to extensive manual and disjointed effort to administer tax for the State of Arizona and its stakeholders. Grant Thornton specifically quoted during the assessment: ""ADOR staff are engaged in herculean efforts to perform tax administration functions, accurately account for revenue, deliver customer service and be a reliable, responsive partner to tax partners and representatives.

In FY23, Q2, ADOR received a favorable review of $870,900 for the STARS Pre Contract Award Preparation (RV23002) project aimed at the Request for Proposal (RFP) evaluation and selection of a vendor as well as key data management activities designed to prepare for the development and implementation of the STARS Integrated Tax System (ITS). ADOR in coordination with the State Procurement Office (SPO) completed the RFP solicitation and is ready to move forward with the Discovery and Planning phase of the project.

The Discovery and Planning phase of the project is required to perform post RFP award preparation activities, initial implementation of the cloud infrastructure, hosting, and support.

2.2 How will solving this issue or addressing this need benefit the State or the Agency?

"The State, Counties, Municipalities and its stakeholders will benefit by having a single Integrated Tax System of Record (ITS) that will house all business functions, for all tax types. This will diminish current manual processes listed in section 2.1, increase compliance revenue with increased analytics and will provide taxpayers a modern external facing portal that will be utilized for all electronic transactions for all tax types.

Improved Tax Administration:

*Automation of routine tasks such return/payment processing that ensures integrity of reported data and will flag anomalies for further review

*A holistic, comprehensive understanding of the client relationship that improves customer inquiries and the timely exchange of information

*Data is a managed asset that creates more effective and data analytic capabilities at both a taxpayer and operations level

*Compliance efforts are guided by data-driven strategies in reducing the tax gap that yield better results

Expanded Electronic Services:

*Function-rich self service portal that maximizes customers' ease of use for taxpayers and their authorized representatives

*Account management, filing and payment options that encourage the adoption of additional electronic services

*Increased electronic communication that is timely, accurate and provides clear direction which will increase taxpayers to voluntary comply with tax obligations

Improved Stakeholder Relationship:

*Reporting is timely, clear and consistent

*Data is shared with partners and the public for additional analysis and verification (within the limits of the statute)

*System is configurable and adaptable to respond to changes in legislation

ADOR will utilize the remaining APF funds to perform post RFP award preparation activities. In addition, this project will fund Full Time Employees (FTEs) and contractors who will continue data management efforts, as well as focus on discovery and planning activities, and will perform discovery and planning activities in coordination with ADOR, stakeholders, and the selected vendor. ADOR will approach this implementation as a development project, requiring upfront current state system analysis and requirements gathering.

2.3 Describe the proposed solution to this business need.

"The State has agreed to an ITAC contingent, 15 year contract with GCOM Software LLC and its subcontractor Kyndryl (herein: ""Team GCOM"") to provide the State and its stakeholders an enterprise platform for tax administration that will be hosted on Amazon Web Service, a FedRAMP compliant cloud environment.

The ITS solution proposed by Team GCOM is called RevHub. The RevHub ITS platform will contain all tax administration business functions for all tax types, for the State of Arizona. It will consolidate multiple existing tax systems into a single comprehensive solution to better serve stakeholders.

The RevHub ITS is designed with a secure modern architecture that is housed on a cloud platform and maximizes interoperability with other cloud services. This gives the Department the ability to interface with other cloud services securely as the need arises in the future. It also utilizes document based NoSQL databases to support growth and enable flexibility to meet the demands of stakeholders.

The RevHub ITS is designed with advanced analytics at the forefront with the goal of improving the customer experience and shrinking the tax gap. It utilizes built-in Machine Learning (ML) algorithms that will improve the Department's operational efficiency by identifying areas where automation can replace manual, labor intensive processing. It will also include more than 50 compliance algorithms that generate revenue and reduce repetitive, manual processes.

The RevHub ITS will also contain a native tax policy simulator that can be used by the Department, OSPB and JLBC to generate revenue estimates of tax policy changes for income taxes as required by statute. The tax policy simulator utilizes the same tax calculator for its policy estimates as it uses for its general tax calculations within the system. This is expected to shorten the time and effort needed to implement tax policy changes as they are passed through the legislative process.

The scope of this PIJ is to perform discovery and preparation activities in coordination with the Department, its stakeholders and Team GCOM. The Department is going to approach this implementation as a development project, requiring upfront current state system analysis and requirements gathering. This effort is scheduled to extend beyond this current PIJ scope.

2.4 Has the existing technology environment, into which the proposed solution will be implemented, been documented?

Yes

2.4a Please describe the existing technology environment into which the proposed solution will be implemented.

2.5 Have the business requirements been gathered, along with any technology requirements that have been identified?

Yes

2.5a Please explain below why the requirements are not available.

3. PRE-PIJ/ASSESSMENT

3.1 Are you submitting this as a Pre-PIJ in order to issue a Request for Proposal (RFP) to evaluate options and select a solution that meets the project requirements?

No

3.1a Is the final Statement of Work (SOW) for the RFP available for review?

3.2 Will you be completing an assessment/Pilot/RFP phase, i.e. an evaluation by a vendor, 3rd party or your agency, of the current state, needs, & desired future state, in order to determine the cost, effort, approach and/or feasibility of a project?

Yes

3.2a Describe the reason for completing the assessment/pilot/RFP and the expected deliverables.

The Department has completed a feasibility study / assessment in partnership with Grant Thornton LP. This study informed the desired future state and was used to build the Department's budget request.

3.2b Provide the estimated cost, if any, to conduct the assessment phase and/or Pilot and/or RFP/solicitation process.

330000

3.2e Based on research to date, provide a high-level cost estimate to implement the final solution.

104800000

4. PROJECT

4.1 Does your agency have a formal project methodology in place?

Yes

4.2 Describe the high level makeup and roles/responsibilities of the Agency, Vendor(s) and other third parties (i.e. agency will do...vendor will do...third party will do).

Per the RFP, ADOR will provide overall leadership for the entire project. The selected Offeror is expected to provide overall project management.

4.3 Will a PM be assigned to manage the project, regardless of whether internal or vendor provided?

Yes

4.3a If the PM is credentialed, e.g., PMP, CPM, State certification etc., please provide certification information.

4.4 Is the proposed procurement the result of an RFP solicitation process?

Yes

4.5 Is this project referenced in your agency's Strategic IT Plan?

Yes

5. SCHEDULE

5.1 Is a project plan available that reflects the estimated Start Date and End Date of the project, and the supporting Milestones of the project?

Yes

5.2 Provide an estimated start and finish date for implementing the proposed solution.

Est. Implementation Start Date	Est. Implementation End Date
8/8/2023 12:00:00 AM	2/8/2024 12:00:00 AM

5.3 How were the start and end dates determined?

Based on funding

5.3a List the expected high level project tasks/milestones of the project, e.g., acquire new web server, develop software interfaces, deploy new application, production go live, and estimate start/finish dates for each, if known.

Milestone / Task	Estimated Start Date	Estimated Finish Date
Budget & Finance - Payment Milestone - RevHub License Fee. Vendor to Invoice according to the agreed upon payment schedule.	08/08/23	11/08/23
Project Monitoring - Statutory Requirement - Tax System Modernization Project Advisory Committee Engagement and Project Monitoring	08/08/23	02/08/24
Project Monitoring - Statutory Requirement - IV&V Vendor Onboarding and Project Monitoring	08/08/23	02/08/24
Project Execution - Data Management Workstream: Preparation of data for downstream implementation activities - includes data cleansing, migration, correspondence and reporting.	08/08/23	02/08/24
Project Execution - Deploy ITS base cloud and application infrastructure per Pub 1075 regulations	08/08/23	11/08/23
Budget & Finance - Final Payment Milestone - Quarterly Support, Hosting and Implementation Services Payment - Aligned with PIJ Scope and Schedule.	08/08/23	02/08/24

Project Initiation - Update Change Management Plan	08/08/23	11/08/23
Project Initiation - Establish ADOR Project Governance	08/08/23	11/08/23
Project Initiation - Vendor Engagement and Onboarding	08/08/23	11/08/23
Human Resources - Onboard STARS Phase 1 project staff	08/08/23	11/08/23
Project Initiation - Update Communications, Stakeholder and Training Plans according to Discovery Phase Milestones.	08/08/23	11/08/23
Budget & Finance - Statutory Requirement - Assessment Billing - This effort is scheduled to extend beyond this current PIJ scope.	09/01/23	02/08/24
Project Execution - Discovery Phase 1: ADOR and selected Vendor to jointly develop the delivery schedule associated with the deliverables included in the RFP. This effort is scheduled to extend beyond this current PIJ scope.	10/09/23	02/08/24
Project Execution - Discovery Phase 1: ADOR and Team GCOM to jointly develop the implementation plan for the entirety of the project. This effort is scheduled to extend beyond this current PIJ scope.	10/09/23	02/08/24

5.4 Have steps needed to roll-out to all impacted parties been incorporated, e.g. communications, planned outages, deployment plan?

Yes

5.5 Will any physical infrastructure improvements be required prior to the implementation of the proposed solution. e.g., building reconstruction, cabling, etc.?

No

5.5a Does the PIJ include the facilities costs associated with construction?

5.5b Does the project plan reflect the timeline associated with completing the construction?

6. IMPACT

6.1 Are there any known resource availability conflicts that could impact the project?

Yes

6.1a Have the identified conflicts been taken into account in the project plan?

Yes

6.2 Does your schedule have dependencies on any other projects or procurements?

No

6.2a Please identify the projects or procurements.

6.3 Will the implementation involve major end user view or functionality changes?

Yes

6.4 Will the proposed solution result in a change to a public-facing application or system?

Yes

7. BUDGET

7.1 Is a detailed project budget reflecting all of the up-front/startup costs to implement the project available, e.g, hardware, initial software licenses, training, taxes, P&OS, etc.?

Yes

7.2 Have the ongoing support costs for sustaining the proposed solution over a 5-year lifecycle, once the project is complete, been determined, e.g., ongoing vendor hosting costs, annual maintenance and support not acquired upfront, etc.?

Yes

7.3 Have all required funding sources for the project and ongoing support costs been identified?

Yes

7.4 Will the funding for this project expire on a specific date, regardless of project timelines?

Yes

7.5 Will the funding allocated for this project include any contingency, in the event of cost over-runs or potential changes in scope?

No

8. TECHNOLOGY

8.1 Please indicate whether a statewide enterprise solution will be used or select the primary reason for not choosing an enterprise solution.

There is not a statewide enterprise solution available

8.2 Will the technology and all required services be acquired off existing State contract(s)?

No

8.3 Will any software be acquired through the current State value-added reseller contract?

No

8.3a Describe how the software was selected below:

8.4 Does the project involve technology that is new and/or unfamiliar to your agency, e.g., software tool never used before, virtualized server environment?

Yes

8.5 Does your agency have experience with the vendor (if known)?

Yes

8.6 Does the vendor (if known) have professional experience with similar projects?

Yes

8.7 Does the project involve any coordination across multiple vendors?

Yes

8.8 Does this project require multiple system interfaces, e.g., APIs, data exchange with other external application systems/agencies or other internal systems/divisions?

Yes

8.9 Have any compatibility issues been identified between the proposed solution and the existing environment, e.g., upgrade to server needed before new COTS solution can be installed?

No

8.9a Describe below the issues that were identified and how they have been/will be resolved, or whether an ADOA-ASET representative should contact you.

8.10 Will a migration/conversion step be required, i.e., data extract, transformation and load?

Yes

8.11 Is this replacing an existing solution?

Yes

8.11a Indicate below when the solution being replaced was originally acquired.

The original implementation date of TAS was December 2003.

8.11b Describe the planned disposition of the existing technology below, e.g., surplused, retired, used as backup, used for another purpose:

The Disposition Plan will be updated as part of each implementation phase. The existing system will remain available for several years while the new system is brought on-line.

8.12 Describe how the agency determined the quantities reflected in the PIJ, e.g., number of hours of P&OS, disk capacity required, number of licenses, etc. for the proposed solution?

This information was gathered by the ADOR Business and IT Teams as part of the Feasibility Phase facilitated by Grant Thornton.

8.13 Does the proposed solution and associated costs reflect any assumptions regarding projected growth, e.g., more users over time, increases in the amount of data to be stored over 5 years?

Yes

8.14 Does the proposed solution and associated costs include failover and disaster recovery contingencies?

Yes

8.14a Please select why failover and disaster recovery is not included in the proposed solution.

8.15 Will the vendor need to configure the proposed solution for use by your agency?

Yes

8.15a Are the costs associated with that configuration included in the PIJ financials?

Yes

8.16 Will any app dev or customization of the proposed solution be required for the agency to use the project in the current/planned tech environment, e.g. a COTS app that will req custom programming, an agency app that will be entirely custom developed?

Yes

8.16a Will the customizations inhibit the ability to implement regular product updates, or to move to future versions?

No

8.16b Describe who will be customizing the solution below:

The RevHub solution will be customized by GCOM.

8.16c Do the resources that will be customizing the application have experience with the technology platform being used, e.g., .NET, Java, Drupal?

Yes

8.16d Please select the application development methodology that will be used:

Agile/Scrum

8.16e Provide an estimate of the amount of customized development required, e.g., 25% for a COTS application, 100% for pure custom development, and describe how that estimate was determined below:

100%

8.16f Are any/all Professional & Outside Services costs associated with the customized development included in the PIJ financials?

No

8.17 Have you determined that this project is in compliance with all applicable statutes, regulations, policies, standards & procedures, incl. those for network, security, platform, software/application &/or data/info found at aset.az.gov/resources/psp?

Yes

8.17a Describe below the compliance issues that were identified and how they have been/will be resolved, or whether an ADOA-ASET representative should contact you:

8.18 Are there other high risk project issues that have not been identified as part of this PIJ?

No

8.18a Please explain all unidentified high risk project issues below:

9. SECURITY

9.1 Will the proposed solution be vendor-hosted?

Yes

9.1a Please select from the following vendor-hosted options:

Commercial data center environment, e.g AWS, Azure

9.1b Describe the rationale for selecting the vendor-hosted option below:

The selection of a vendor hosted solution aligns with the ASET's cloud first policy as well as ADORs IT Strategic Plan.

9.1c Has the agency been able to confirm the long-term viability of the vendor hosted environment?

Yes

9.1d Has the agency addressed contract termination contingencies, e.g., solution ownership, data ownership, application portability, migration plans upon contract/support termination?

Yes

9.1e Has a Conceptual Design/Network Diagram been provided and reviewed by ASET-SPR?

Yes

9.1f Has the spreadsheet located at https://aset.az.gov/arizona-baseline-security-controls-excel already been completed by the vendor and approved by ASET-SPR?

Yes

9.2 Will the proposed solution be hosted on-premise in a state agency?

No

9.2a Where will the on-premise solution be located:

9.2b Were vendor-hosted options available and reviewed?

9.2c Describe the rationale for selecting an on-premise option below:

9.2d Will any data be transmitted into or out of the agency's on-premise environment or the State Data Center?

9.3 Will any PII, PHI, CGIS, or other Protected Information as defined in the 8110 Statewide Data Classification Policy be transmitted, stored, or processed with this project?

Yes

9.3a Describe below what security infrastructure/controls are/will be put in place to safeguard this data:

Per RFP Attachment 9 - Question 7.2 - The vendor has indicated that they comply with IRS Pub 1075 Safeguard requirements. The ADOR CSO and Homeland Security Privacy Officer will work together to certify vendor compliance with IRS Pub 1075 Security Safeguards. In addition, they will work to ensure the vendor continues to comply as part of standard monitoring audits and controls.

10. AREAS OF IMPACT

Application Systems

Other

Tax Application Development\Configuration

Database Systems

Other

Document based NoSQL database

Software

Other

Application Customization

Hardware

Other

N/A

Hosted Solution (Cloud Implementation)

AWS (non-government) cloud

Security

Other

AZRamp, FedRamp Compliant Solution

Telecommunications

Other

N/A

Enterprise Solutions

Other

Contract Services/Procurements

11. FINANCIALS

Description	PIJ Category	Cost Type	Fiscal Year Spend	Quantity	Unit Cost	Extended Cost	Tax Rate	Tax	Total Cost
License and Maintenance	Software	Development	1	1	$8,066,100	$8,066,100	0.00 %	$0	$8,066,100
PS and ERE	Other	Development	1	1	$252,800	$252,800	0.00 %	$0	$252,800
System Development and Programming (Obj 7154)	Other	Development	1	1	$364,000	$364,000	0.00 %	$0	$364,000
Implementation Services (Obj 7154)	Other	Development	1	1	$3,600,000	$3,600,000	0.00 %	$0	$3,600,000
Support and Hosting (7160)	Other	Development	1	1	$2,420,000	$2,420,000	0.00 %	$0	$2,420,000
IV&V	Professional & Outside Services	Development	1	1	$246,000	$246,000	0.00 %	$0	$246,000

Base Budget (Available)	Base Budget (To Be Req)	Base Budget % of Project
$0	$0	0%
APF (Available)	**APF (To Be Req)**	**APF % of Project**
$14,948,900	$0	100%
Other Appropriated (Available)	**Other Appropriated (To Be Req)**	**Other Appropriated % of Project**
$0	$0	0%
Federal (Available)	**Federal (To Be Req)**	**Federal % of Project**
$0	$0	0%
Other Non-Appropriated (Available)	**Other Non-Appropriated (To Be Req)**	**Other Non-Appropriated % of Project**
$0	$0	0%

Total Budget Available	Total Development Cost
$14,948,900	$14,948,900
Total Budget To Be Req	**Total Operational Cost**
$0	$0
Total Budget	**Total Cost**
$14,948,900	$14,948,900

12. PROJECT SUCCESS

Please specify what performance indicator(s) will be referenced in determining the success of the proposed project (e.g. increased productivity, improved customer service, etc.)? (A minimum of one performance indicator must be specified)

Please provide the performance objective as a quantifiable metric for each performance indicator specified.
Note: The performance objective should provide the current performance level, the performance goal, and the time period within which that performance goal is intended to be achieved. You should have an auditable means to measure and take corrective action to address any deviations.
Example: Within 6 months of project completion, the agency would hope to increase "Neighborhood

Beautification" program registration by 20% (3,986 registrants) from the current registration count of 19,930 active participants.

Performance Indicators

1) Complete Vendor Onboarding by November 8, 2023.

2) Deploy ITS base cloud and application infrastructure by November 8, 2023.

3) Establish ADOR Project Governance by November 8, 2023.

4) Develop and prioritize the list of business functions and current systems for discovery activities by December 8, 2023

13. CONDITIONS

Conditions for Approval

Should development costs exceed the approved estimates by 10% or more, or should there be significant changes to the proposed technology scope of work or implementation schedule, the Agency must amend the PIJ to reflect the changes and submit it to ADOA-ASET, and ITAC if required, for review and approval prior to further expenditure of funds.

Monthly reporting on the project status is due to ADOA-ASET no later than the 15th of the month following the start of the project. Failure to comply with timely project status reporting will affect the overall project health. The first status report for this project is due on September 15, 2023.

Prior to system production environment launch or go live, the Agency must work with the Department of Administration (ADOA) and Department of Homeland Security (AZDOHS) Cyber Command, to assure the System Security Plan document is completed and approved by Cyber Command in order to ensure that the selected solution will provide an appropriate level of protection for State data.

The Agency may proceed with the proposed solution with the provisional AZRAMP authorization, however, the Agency must work with the Department of Administration (ADOA) and Department of Homeland Security (AZDOHS) Cyber Command to provide a report to Information Technology Authorization Committee (ITAC) on progress toward achieving full AZRAMP authorization by August 30, 2023. Additional reporting may be required by ITAC or ADOA-ASET.

The Agency must submit a report upon the conclusion of the discovery milestone to the Information Technology Authorization Committee (ITAC) that outlines the timeline for system validation of Internal Revenue Service (IRS) requirements and the attainment of FedRAMP authorization. IRC §6103 limits the use of FTI to certain purposes based on the authority under which it was received. IRS requires FedRAMP authorization followed by a 45 day notification prior to implementing certain operations including the ingesting any FTI into the solution, or technology capabilities that use FTI.

ADOA-ASET in coordination with ADOR will provide quarterly reports of the overall status of the project to the Joint Legislative Budget Committee (JLBC). The report will address the vendor's progress in compliance with all required cyber security controls for the system.

14. OVERSIGHT SUMMARY

Project Background

The Arizona Department of Revenue is responsible for administering and collecting taxes and ensuring the agency provides high quality performance to meet the needs of taxpayers. The agency is organized into four divisions which are: Taxpayer Services, Processing, Education and Compliance, and Support. Each division performs specific

functions which are integrated to achieve efficient tax collection and processing, timely enforcement of tax laws, and accurate valuation of property.

ADOR works extensively to maintain and improve the current Tax Administration System (TAS) and external-facing portal (AZTaxes). The current tax administration process utilizes numerous databases, feeder systems, and manual spreadsheets to support operations which affect the data integrity, is costly to maintain, and creates frustrated taxpayers and/or employees. Preparation for the integrated tax system modernization project requires ADOR to dedicate staff to the project and hire staff to backfill their positions to avoid interruption in business processes and services. A feasibility study was conducted of the current state business operations and supporting systems which identified extensive manual and disjointed effort to administer tax for the State of Arizona and its stakeholders.

In FY2023, ADOR received an Automation Project Funds (APF) appropriation of $15,819,800.00 for the Integrated Tax System (ITS) Modernization known as the State Tax Accounting and Reconciliation System (STARS) project from the Joint Legislative Budget Committee (JLBC). In FY2023, Q2, ADOR received a favorable review from JLBC to utilize $870,900 of the $15,819,800.00 for the STARS Pre Contract Award Preparation (RV23002) project to perform Pre-RFP award preparation activities.

ADOR in coordination with the State Procurement Office (SPO) are ready to move forward with the Discovery and Planning phase of the project.

Business Justification

STARS will replace current systems and disparate databases with integrated functionality and will improve tax administration by automating routine tasks, managing data allowing data analytic capabilities for taxpayers and internal operations. The initiation of the STARS Discovery Phase project will allow ADOR to utilize employees to participate in preparation activities. This project will begin to define deliverables included in the RFP, and begin to define core ITS functionality, the ITS system will need to meet the State's Cloud First initiative.

Implementation Plan

ADOR will be responsible for overall leadership for the entire project, organization and stakeholder change management.
The IV&V vendor will be responsible for assessing and reporting the project's progress to all interested external stakeholders, training and knowledge transfer.
The project start, end, and milestone dates will be modified after the vendor contract is awarded.

Vendor Selection

ADOR is utilizing the Request For Proposal (RFP) process for the vendor selection.

Budget or Funding Considerations

Funding for the STARS Discovery Phase consists of 100% APF funds.

15. PIJ REVIEW CHECKLIST

Agency Project Sponsor

Neeraj Deshpande

Agency CIO (or Designee)

Thomas Rieckhoff

Agency ISO (or designee)

Stacy Wallace

OSPB Representative

ASET Engagement Manager

ASET SPR Representative

Agency SPO Representative
Michael Hillebrand

Agency CFO
Tinsae Babo