

Idaho Converts its Tax Systems Software Under Budget and in Record Time

An Off-the-Shelf Solution for a Complex Process

When was the last time you read about a multi-year, multi-million dollar government IT project that was completed early rather than late, finished under budget rather than over, and actually does what it's supposed to do? The Idaho State Tax Commission's CATS (Convert All Tax Systems) Project is just such an effort. Completed three months early and \$500,000 under budget, the CATS project could be a model other jurisdictions may want to consider.

TALE OF TWO MODELS

The Idaho Tax Commission is the second jurisdiction and first U.S. state revenue department to do a complete tax processing system modernization using a COTS (Commercial Off-The-Shelf) software. In a little less than two years, including six months of up-front planning, and at a cost of under \$15 million, all 17 tax types administered by the Tax Commission were converted from a 25-year-old mainframe system to a modern, Windows-based software called GenTax® made by FAST Enterprises, LLC. Prior to the CATS Project, when a revenue department needed to modernize its tax processing systems, it contracted with a vendor to do a "design build." Because each taxing jurisdiction is different e.g., different tax types, tax rates, etc., the assumption was that each jurisdiction needed a system that was custom designed. That essentially means starting from scratch and writing all the computer code needed for the new system. A COTS product, on the other hand, recognizes that all jurisdictions are different, but at a high level, they all do the same things. All tax jurisdictions register taxpayers, issue and process returns, and require processes for collections, non-filers, and audit. A COTS product like GenTax already contains the base functionality for all those processes, and the "customization" necessary to reflect each jurisdiction's unique tax administration requirements is done by configuring tables already built into the software. By using the COTS model, the Tax Commission roughly cut in half the time and the cost of starting from scratch and building a custom system. In addition to faster implementation and lower initial cost, a COTS product also may bring long-term cost savings. As the vendor improves the product and releases new versions to stay competitive, the jurisdiction can

upgrade to the new version under the terms of the software maintenance agreement. This should keep the software up to date, and delay for many years, or possibly eliminate the need to start over with a new system.

As with anything else, there are some disadvantages in using a COTS product. First, you don't get to specify the base functionality or look and feel of the software. You have to remember that you've purchased a "pre-packaged" architecture and core product, and while much can be done to tailor the software to your needs, the bottom line is that you don't get a "custom" solution. Additionally, a COTS product will have an impact on the agency's business processes. Business process reengineering (BPR) is part of any large IT project. In a design build project, this is typically done up front, often taking a year or more, and the software is then configured to support the newly reengineered processes. Because the base functionality already exists in a COTS product, some existing business processes need to be adjusted to fit the new software. In a fast-moving COTS project, this amounts to doing BPR "on the fly," which was often challenging and difficult, but not impossible.

PLANNING AND PROJECT MANAGEMENT

Regardless of the overall model chosen, good planning and project management are a big part of the success of any project. The Tax Commission spent six months planning and preparing before any software configuration was initiated. A strategic plan was drafted, outlining the high-level goals and objectives we hoped to achieve. Tactical plans were drafted for communications, change management, and software and hardware architecture/infrastructure. Finally, detailed implementation plans were written for each software rollout, and for each tax type within the rollout. These detailed plans contained a statement of work for each module in the software, and provided the blueprint for software configuration, data conversion, systems integration, cutover, operations, production support, documentation, training and more. A great deal of time and effort went into creating these plans, but the absence of serious problems with any of the four rollouts or the overall implementation itself testifies to the worth of the effort.

A leading cause of project failure is poor project management.

In an effort to save scarce budget dollars, many public sector organizations appoint an existing manager as project manager for these large IT projects. Never mind that most public sector managers have never managed a multimillion-dollar, multiyear IT project, and that project management is a skill in itself. The Tax Commission made an early decision to contract for a professional project manager, someone with demonstrated project management skills and experience in managing large projects. Our project manager led the agency's project team, directed and facilitated planning efforts, kept track of the project budget, and served as the primary liaison between the agency and the vendor. Good project managers don't come cheap, but if you find a good one, she will earn every penny you pay her and save the jurisdiction money in the long run.

IT'S THE PEOPLE, STUPID!

Having spent a great deal of time consulting with other jurisdictions and gathering information before starting the CATS Project, we knew that if we failed, it most likely would not be because of technology. We weren't doing the technological equivalent of brain surgery. We were implementing a product already operating in another jurisdiction, built with standard tools (Microsoft Visual Basic and SQL Server) and running on standard platforms (Microsoft Windows). We knew that if we failed, it would most likely be due to failure to properly manage the people issues.

We learned from other jurisdictions and our own legislative audit office that involving as many agency people as possible and practical in the project was a best practice contributing to project success. People are much more likely to embrace and support what they've helped to create. At the highest level, this starts with visible executive support and commitment to "stay the course" and successfully complete the project. The four tax commissioners who make up executive management of the agency delegated day-to-day executive oversight of the project to the commissioner with program responsibility for IT. Strategic decisions were made by the agency's existing IT Steering Committee, composed of all business unit division administrators and program managers. A "Project Champion" was appointed to serve as a single point of contact for issues not requiring executive attention, and to facilitate quick decision-making. A Project Planning Team, representing all business units, was made up of a mix of staff-level employees, bureau chiefs, and program managers. This team was chaired by the project manager and met weekly to provide tactical decisions and day-to-day direction to the Project Team. The Project Team was selected by division and program managers and worked full time with the vendor's team on configuring the software. Finally, dozens of other agency staff were employed as subject matter experts or testers during various parts of the project.

Communication is a key factor in helping staff understand what's happening with the project. The Tax Commission created an intranet dedicated to the CATS project. It included copies of all the planning documents, organization charts for management of the project, information on the GenTax software, the project schedule, and a direct e-mail link to the project manager so employees could make suggestions or ask questions. In addition to the intranet, we also employed periodic "everyone" e-mails and articles in the agency newsletter to keep staff up to date on the project.

Another thing we learned from jurisdictions that went before

us is that one of the most important "people" issues is what we called "change management." Large IT projects, whether design-build or COTS, have a big impact on many employees in the organization. Some jobs will change, some may be eliminated, and new ones may be created. Fear of losing a job and resistance to change are huge issues that need to be addressed up front. One way the Tax Commission dealt with this was to make it clear to the entire staff that no jobs would be lost due to the CATS project. Jobs might be changed, but as long as employees in those jobs were willing to learn something new through training we would provide, they would still have a position with the agency. We also tried very hard to anticipate where the most severe change impacts would occur, and work proactively with staff in those areas to help ease fears and resistance to change.

THE BOTTOM LINE

The Idaho State Tax Commission's CATS project has demonstrated that government organizations can undertake and complete large IT projects on time and on budget by choosing the right implementation model, good planning and project management, and attention to people issues. If we can do it, so can you! ♦

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