Implementing a COTS Integrated Tax Solution

August 4, 2009

Agenda

- What is a COTS?
- Costs of a COTS implementation
- Developing a COTS Mindset
- Minimize Customizations
- Unlock the Opportunity
- Knowledge Transfer
- Q&A
Commercial Off the Shelf Solution (COTS) Definition

- Typically used for application software that performs one or more functions
- Can be a large end-user application performing robust functions
  - Integrated Tax System that performs registration, accounting, correspondence, workflow and case management
  - Collection system that performs case management, correspondence and workflow
- Can be business applications that perform a few functions
  - Image capture application that reads text and provides workflow around that function
  - Customer relationship application that has workflow and case management capabilities
- Can be specific applications that perform targeted functions
  - Address Normalization
  - Skip Tracing/Locate Services
  - External Security Authentication

What are the costs?

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
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<tbody>
<tr>
<td>License</td>
<td>$</td>
</tr>
<tr>
<td>Design and Implement</td>
<td>$</td>
</tr>
<tr>
<td>Ongoing Maintenance</td>
<td>$</td>
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<tr>
<td>Upgrade Path</td>
<td>$</td>
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<tr>
<td>Knowledge Transfer</td>
<td>$</td>
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<tr>
<td>Total</td>
<td>$</td>
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Developing a COTS Mindset

✓ Use the base
✓ Adapt processes
✓ Minimize customizations
✓ Flexibility (the good news and the bad news)
✓ Focus on the outcome; not the how

Adapt Processes

- Many tax agencies have not made significant changes to processes in years
- Changes in technology are great opportunities to update processes
- COTS products work in a certain way – suggesting a certain process
- Best practices are often built in
- One size does not fit all – but the principles may apply
Technology and Tax Administration

Abacus

Technology and Tax Administration

Slide Rule
First built in England in 1632 and still in use in the 1960’s by the NASA engineers
In 1642 Blaise Pascal, at age 19, invented the Pascaline as an aid for his father who was a tax collector.
Technology and Tax Administration

Calculation Aid
Required paper record storage

Technology and Tax Administration

Punch Cards
Store and Mill (memory unit and CPU)
Technology and Tax Administration

IBM Mainframe and similar computers

Unlock the Opportunity

- Determine what existing processes do not fit with the technology solution
- Determine what processes the technology solution suggests
- Implement processes that meet the business needs and leverages the technology
- Use technology as the agent for change
Minimize Customizations

- Implementation cost ↓
- Implementation risk ↓
- Implementation duration ↓
- Long-term maintenance ↓
- Use what comes with the product if it:
  - Satisfies your legal requirements
  - Accomplishes the desired result
  - Does not unreasonably increase your operational costs
  - Does not unreasonably decrease customer satisfaction

Knowledge Transfer

- Fewer customizations = less to learn
- Actively participate in process design
- Review designs (functional and technical)
- Participate in configurations and customizations
- Test, Test, Test – business and technology staff learn how the system works and why
Contact Information

Stan Farmer
Senior Consultant
Tax and Revenue Solutions
(573) 338-0012
Stanley.Farmer@cgi.com

ISO 9001 Certified

About the Presenter
- 20 years of tax experience (18 in a tax agency)
- Former Tax Director
- Experienced in integrated tax and collection system implementations
- Experienced in process improvements
- Experienced in team and agency-wide quality programs