

Choosing the Best Integrated Tax System



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Topics

- **Introduction**
- Approach to RFP Development
- Defining Requirements
- Approach to RFP Evaluation

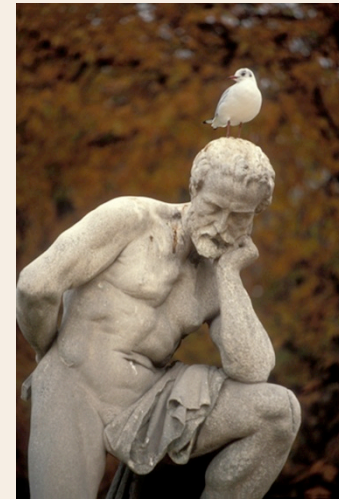
Keys To Making the Right Choice

- Well Thought-Out and Achievable Solution
- Comprehensive RFP
- Well Defined Requirements
- Structured Evaluation Process
- Staff Involvement

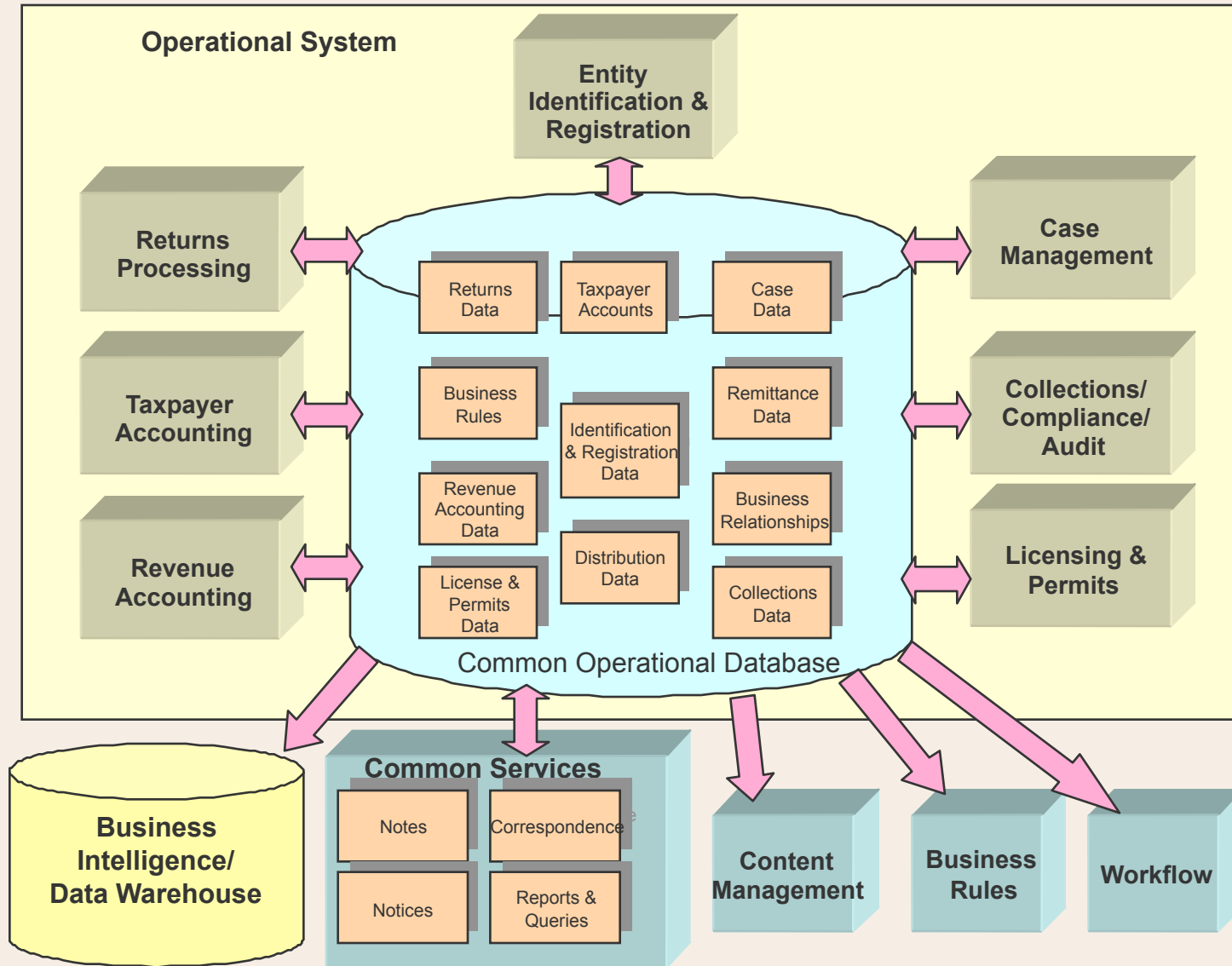


Well thought-out solution

- What are the goals and objectives of this project?
- Why are we doing it? How will we benefit?
 - Revenue generation from discovery, move from antiquated system, easier maintenance, more functionality, easier to use? Central taxpayer view?
- What is our vision?
 - Want comprehensive tax operational system, what components, data warehouse?
- Does it align with our budget?



Example: Integrated Solution



Understand what is reasonable

- Understand the roles of vendors and how they partner
- Understand the vendors solutions – COTS or frameworks?
- Do Requests for Information (RFIs) from vendors
- Perform State Research

What is an Integrator?



Orchestrates
the components
and vendors

TOTAL SOLUTION

Tax processing

Case
Management

Document
Management

Data
Warehouse

Vendor 1

Vendor 2

Vendor 3

The Request for Information Process – Why?

- Learn about the potential bidding companies
- Find out what business capabilities are available
- Learn about the technology
- Learn what is FEASIBLE
- Listen to the vendors' suggestions for RFP
- Note: The goal of RFI is to obtain information, not to make a preliminary choice!
- Can possibly invite vendors in to demo the product capabilities

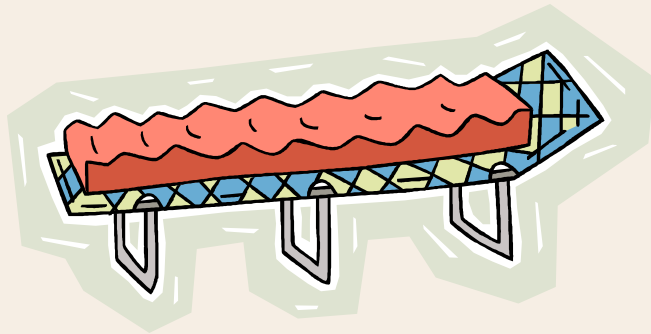
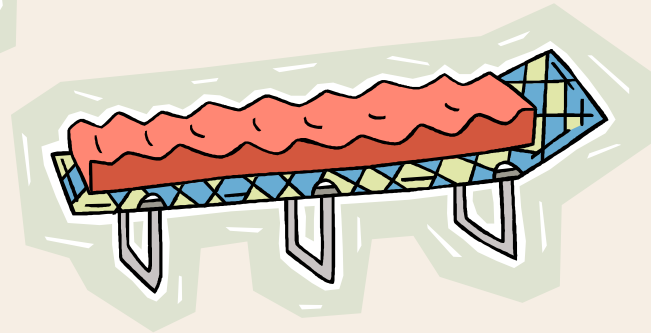
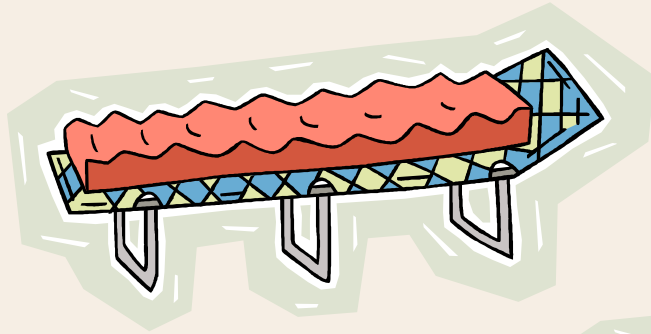
Ask away in the RFI!

- You will find out relevant information for your RFP
- The vendors have been doing this already and have some prepared responses
- Sample subject areas:
 - Company Information
 - Commercial Off-the-Shelf (COTS) and Custom Components Integration
 - User Interface Approach
 - Implementation Approach and Plan, including recommended phasing
 - System Data Conversion
 - Data Warehousing and Discovery
 - Business Intelligence
 - Business Rules

More Sample Areas

- CRM and Document Management
- Modernized eFile
- Workflow
- Case Management
- Reporting
- Technical Architecture
- External Interfaces
- Maintenance, Licensing, and Upgradeability
- Requested Vendor Input

Understand the meaning of COTS
(These are not the COTS I mean)



Standards for Commercial-Off-The-Shelf

- Software that is ready-made and available for sale, lease, or license to the public
- Alternative to in-house development and vendor custom development (from scratch)
- Designed to perform functions, such as billing, case management, tax processing

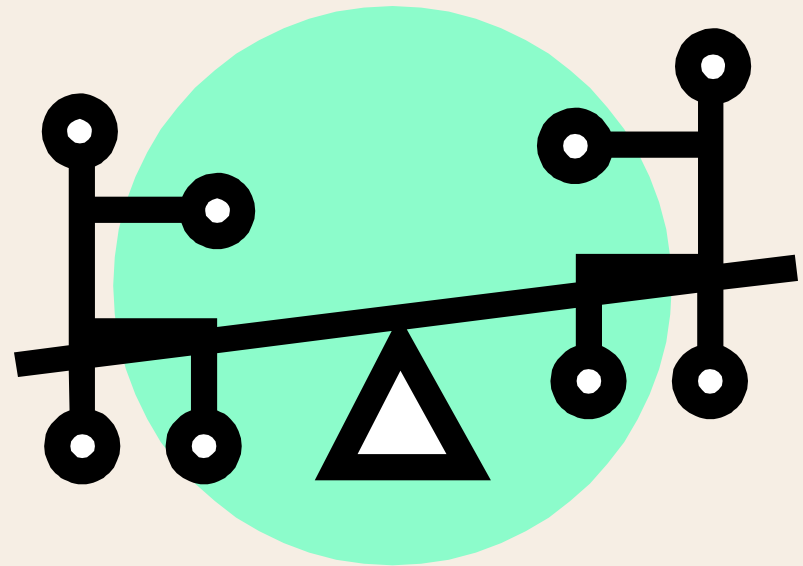
Why or why not COTS?

Advantages

- Reduction of system development and costs (components can be bought or licensed)
- Reduction of maintenance costs
- Quicker implementation
- Easier to test
- Starter set of functionality
- New features available over time
- Stronger user community

Disadvantages

- Must adapt business process to package
- Sometimes difficult to customize
- Increase in software integration
- Dependency on vendor



Some More Terms


Customization

- Build from scratch
- Considered “code”

Configuration - is not considered “code”

- Configurations can be changed
- Gives computer values, such as tax types: (personal, corporate, etc.), filing frequency
- Provides capability for parameters, such as grace period = x days
- Can go much further- everything gets configured

COTS to Custom Continuum

Off-The-Shelf	Framework Software	Custom Development
Core Functionality out of the box		100% built from scratch
Some configurations	Product of configurable building blocks	Most flexible
May allow customizations	Nothing out of the box	Higher risk
Much more structured	Highly flexible	

Align Solution to the Budget

- How can we pay for this?
- Early-win phases pay for later phases from increased revenue recovery
- Do Cost Benefit Analysis
- Budget by fiscal year
- Costs for COTS might be lower cost if good fit





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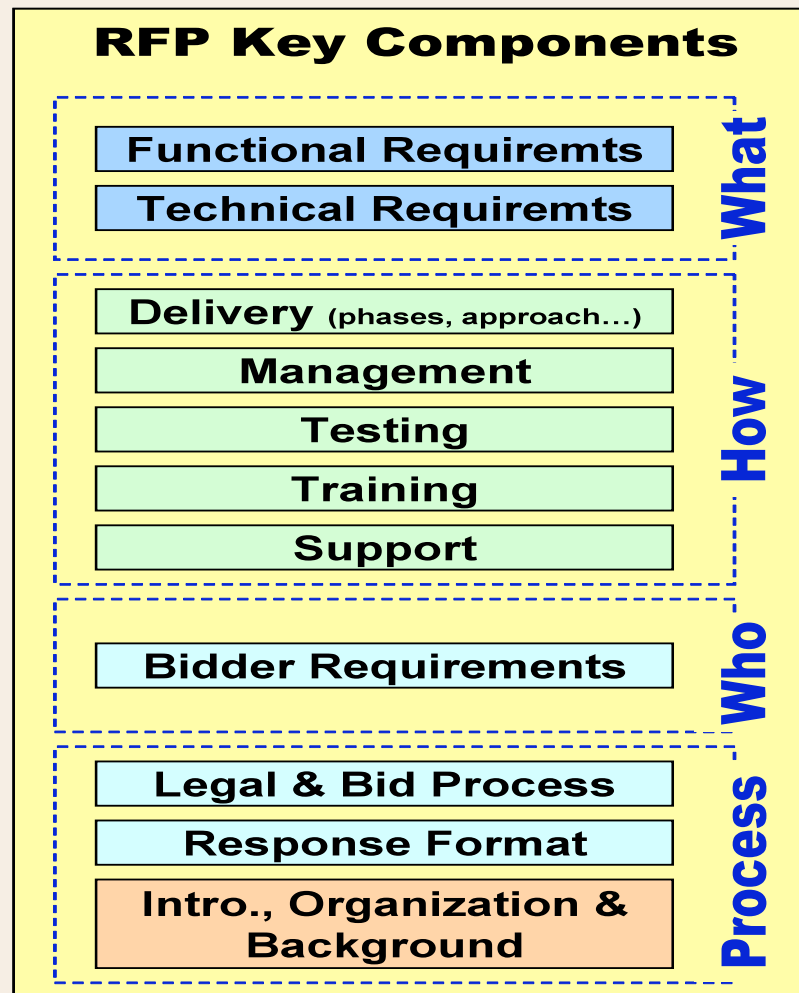
Keys to Successful RFP

- Comprehensive scope for RFP
 - Define the “big picture” with necessary details
- Right amount of detail
 - Too much – Vendor may be constrained in the solution or approach
 - Too little – Meets vague requirements, but does not meet specific needs
- Organized method to compile
- Staff involvement
- Realistic requirements based on industry research



RFP Development

The RFP must be comprehensive



Big Question – How much do you constrain?

- What areas? technology, functional requirements, implementation phases, staffing
- There is a balance



- The more constraints, the more aligned the solution with agency wishes, **however**,
 - Might increase the cost
 - Might eliminate bidders
 - Might not leverage the specific bidder's best solution
 - Might force additional 3rd party vendors that add complexity

RFP Development Activities

- Develop the project strategy that minimize risk and maximize value for the Agency
- Study the current environment
- Do State and vendor research
- Develop requirements using many sources (interviews, existing documentation, policy manuals, observations)
- Develop Statement of Work (SOW) requirements as the core of the RFP
- Add other sections of RFP
- Develop Evaluation Guidelines
- Review, review, review



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Keys to Clear and Concise Requirements

- Goals
 - Give vendors basis for pricing
 - Use as agreement of scope
 - Collective intelligence of the agency
- Tell **what** you want system to do, no “designy” requirements
- Include vision requirements from Process Improvement step
- Decide what is mandatory and desirable
- Don't be vague – e.g., system is easy to use, system does returns processing
- Don't be too detailed either – you don't need specific business rules at this time
- Document feasible requirements – get an idea of what the systems can do!



Involve Staff - Facilitation and Interviews

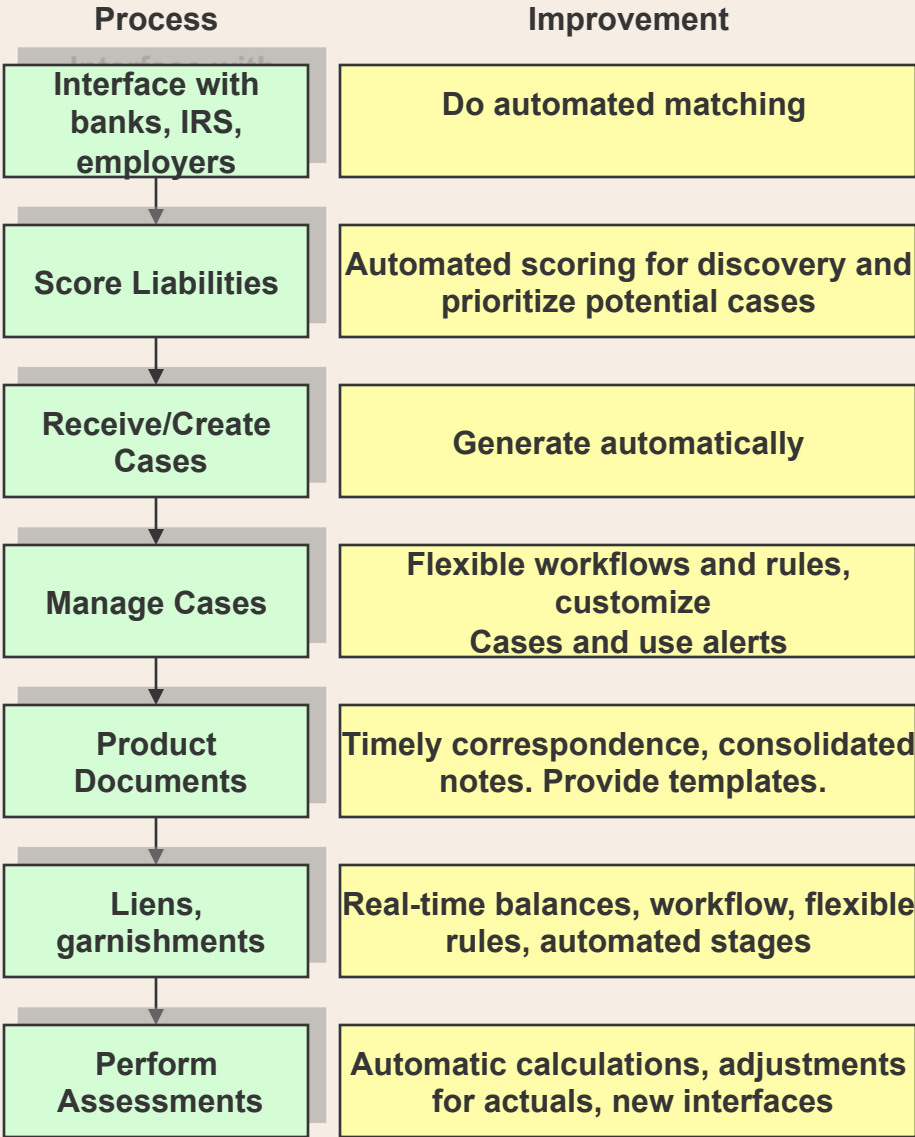
Proper facilitation and data collection will result in consensus based requirements and solutions

- Committed Management
- Committed, Participating Group
- Encouraging, Neutral Session Leader
- Structured Agenda

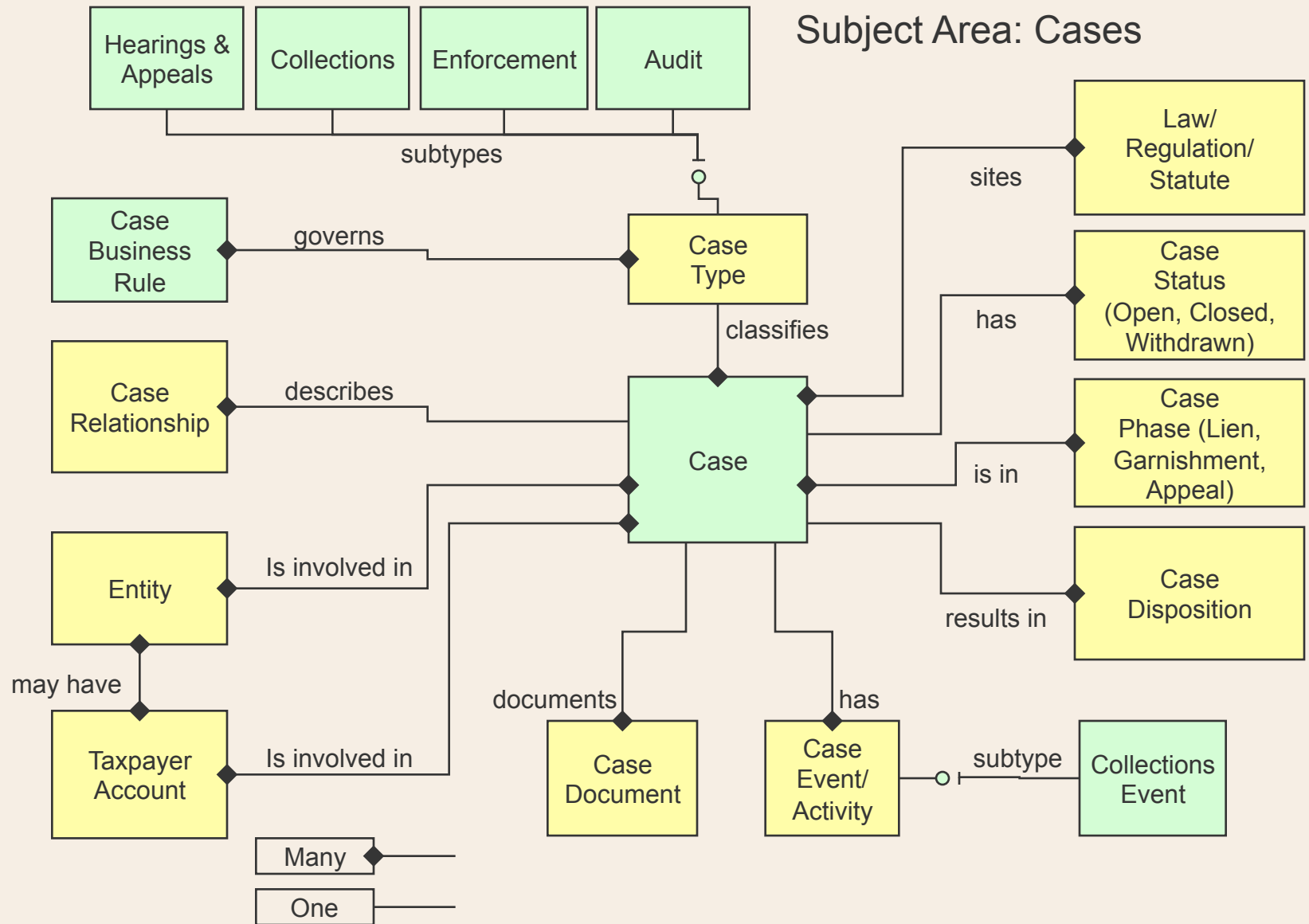


Base functional requirements on future vision

Process improvement activities allow requirements to describe the future needs – this makes for a stronger RFP and project.



Documenting required data adds perspective



Sample Requirements

1A.1		Entity Identification and Registration
1A.1.1		Entity Identification
1A.1.1.1	M	Assign a unique system identification number to the entity when a new profile is created that becomes the primary identifier in the system across all tax types.
1A.1.1.2	M	Identify alternate types of identifications according to COM-defined identification types (e.g., registration number, social security numbers (primary/secondary), and FEIN).
1A.1.1.3	M	Merge entities and associated account/financial records.
1A.1.1.4	M	Allow for multiple entities having the same alternate identifiers (e.g., multiple taxpayers may have the same social security number).
1A.1.1.5	M	Identify by type of entity (e.g., business or individual), and role(s) (e.g., taxpayer, agent, preparer, estate, property holder/owner, corporate officer).
1A.1.1.6	M	Assign, identify, and relate unique registration number to each business and if applicable, to each subsidiary and location.
1A.1.1.7	M	Relate registration number(s) to the system identification number(s) and alternate types of identifications.
1A.1.1.8	M	Relate the same registration number to multiple accounts (e.g., each tax type and/or other COM-defined classes).

Technical & Performance Requirements

Technology requirements allow an agency to define how the new system will properly exist in the larger IT environment.

■ Technical & Architecture

- Current Equipment & Configurations – Important when planning migration
- Overall IT Strategy
- Hardware & Software Standards & Requirements
- Communication Network Requirements

■ Performance Requirements

- Projected volumes and types of data to be exchanged, and the frequency of data exchange.
- Throughput Statistics
- Number of users
- Response Time
- Uptime

Vendor Suggestions Feedback

- Require references of similar size and scope
- Gather research from other state agencies
- Do site visits
- Have product demonstrations
- Evaluation criteria should be combination of technical and cost – weight these
- Functional requirements
 - Prescribe what, not how
 - Include enough requirements to evaluate
 - Categorize functional responses– configurable, custom, interface
- Technical requirements
 - Be careful in restricting technical architecture components
 - Ask for Non proprietary, proven technology

Vendor Suggestions Feedback, cont.

- Implementation approach – Allow vendor to propose phases
- Progress payments and limit formal deliverables
- Staff – define specific level and skills required for staff
- Company experience implementing COTS in tax revenue agencies
- Metrics as much as possible – number of interfaces, reports, required correspondence, users to be trained, and workflows



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- **Approach to RFP Evaluation**

Objectives

- Selection of bidder that mostly closely matches the requirements of RFP
- Fair unbiased evaluation of proposals
- Contractor choice that withstands protests



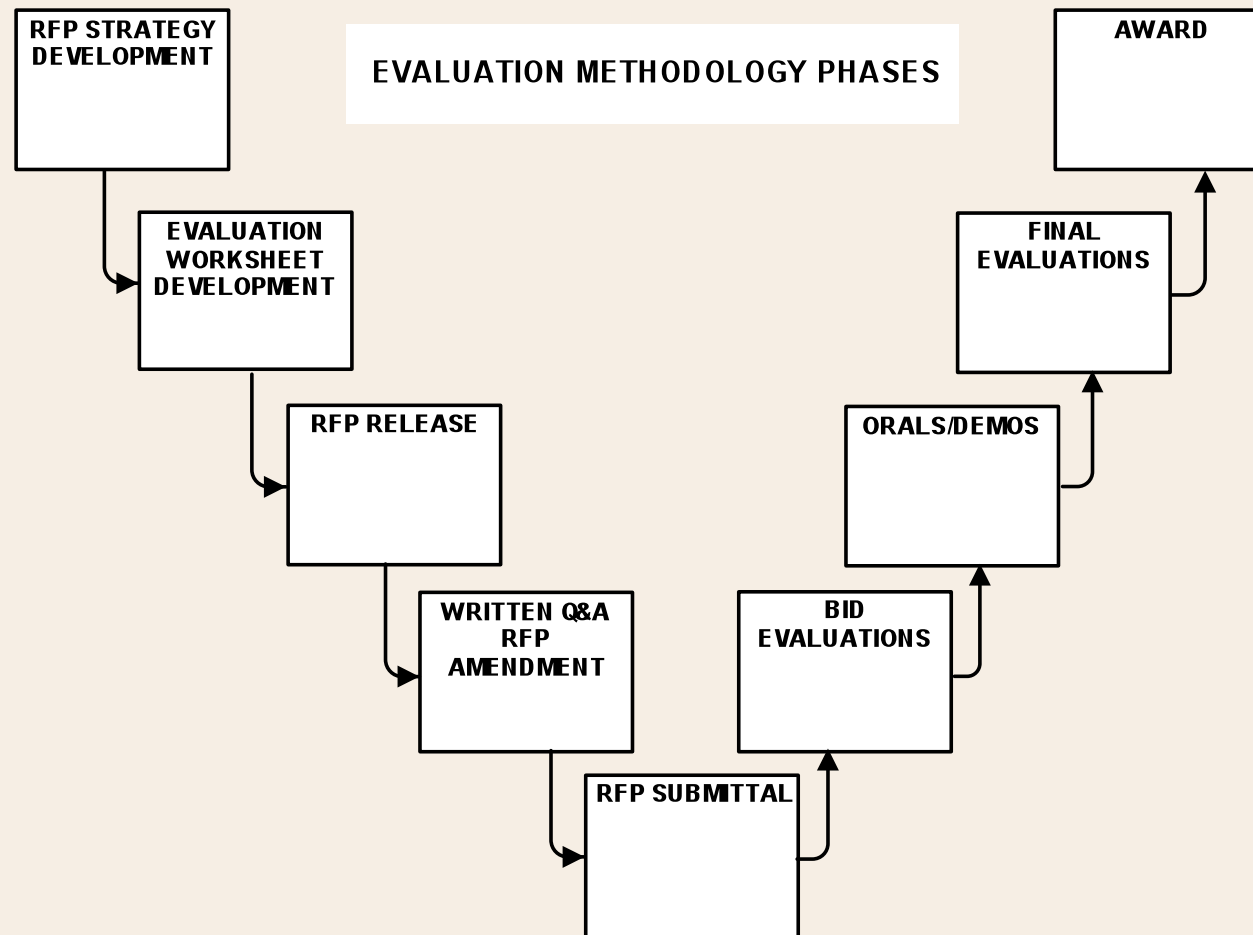
Keys to Evaluation Process

- Have a defined evaluation methodology
- Pre-defined weighting criteria
- Qualified evaluation team
- Reference checks
- See it to believe it – demos and site visits



RFP Evaluation

A structured bidding and evaluation process results in a thorough evaluation and defensible award



RFP Evaluation Tasks

- **Evaluation Preparation**
 - Set evaluation criteria
 - Set evaluation weights.
 - Set up score sheets to record evaluations & calculate scores.
- **Bidders Conference and Q&A**
 - Hold bidder's conference to explain RFP and answer questions
 - Document answers to bidders' questions.
 - Prepare RFP addendums.
- **Initial Proposal Evaluation**
 - Read proposals, and eliminate non-conforming vendors.
 - Identify strengths and weaknesses of proposals.
 - Facilitate meetings for group rating of proposals.
 - Document evaluation meetings on strengths and weaknesses of proposals.
 - Make site visits
 - Evaluate bidders using score sheets

RFP Evaluation Tasks, cont.

■ Oral Presentations & Demos

- Select orals candidates
- Develop structure for orals, and questions that will be posed to the bidders
- Write scripts for the bidders' demos
- Attend bidders' demos and document observations
- Re-evaluate score sheets based on orals and demos
- Rank bidders for technical score

■ Cost Evaluation

- Usually separate from Technical evaluation
- Rank bidders for cost

■ Final Selection

- Score will be weighted with Technical score
- Choose the winning bidder
- Write an evaluation report
- Be prepared to debrief bidders

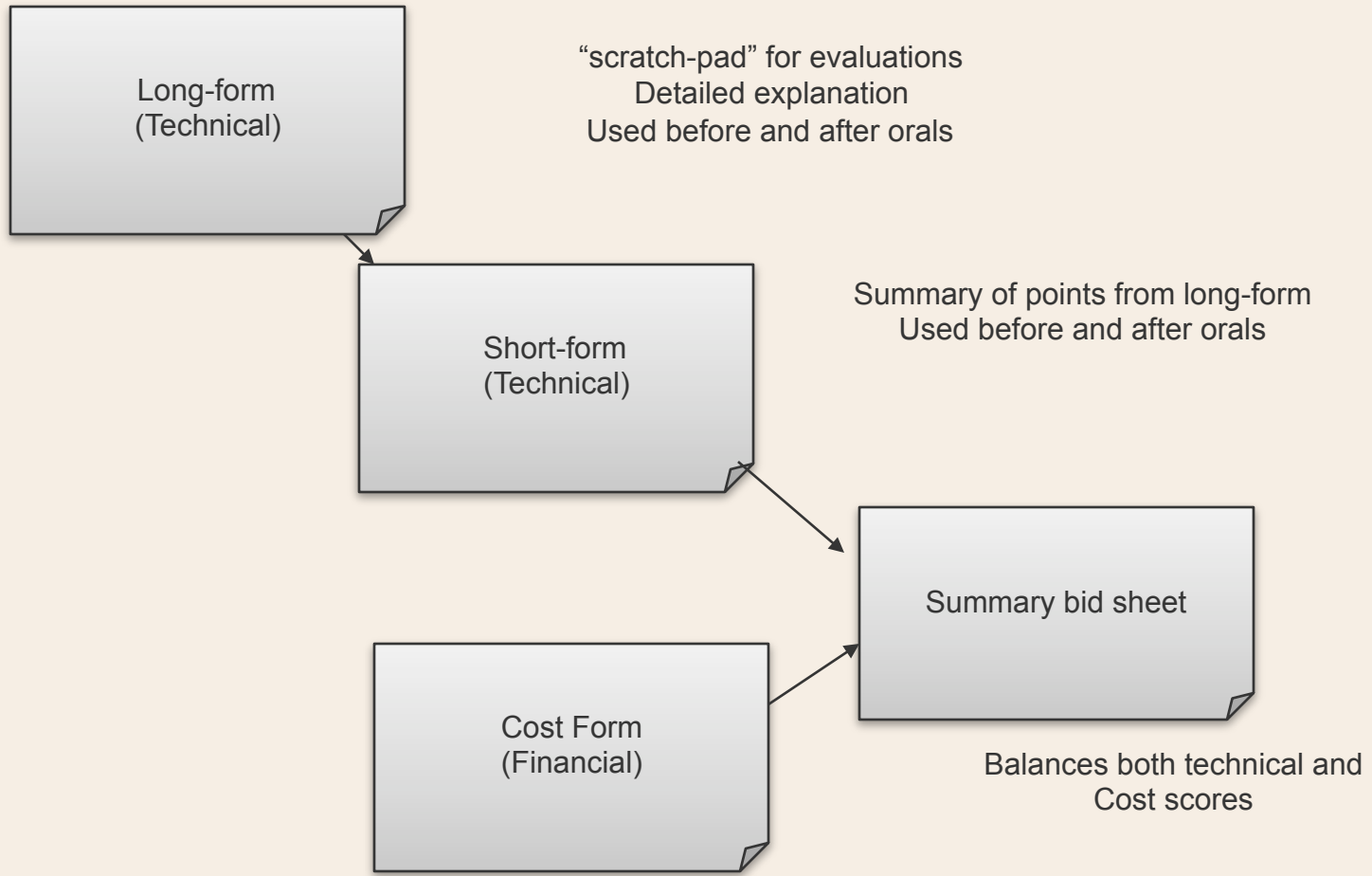
Technical Response Criteria

Evaluation Criteria
Vendor's Approach and Plans
Bidding Firm's Experience/Reputation
Qualifications of Personnel
Company Profile and Stability
Response to Functional Requirements
Response to Technical Requirements
Minority Qualifications

Cost Response Criteria

The proposed cost, including all hardware, COTS software, implementation, customizations, and maintenance.
<ul style="list-style-type: none">• COTS package cost
<ul style="list-style-type: none">• Customizations, including interfaces and special functionality
<ul style="list-style-type: none">• Implementation, including configurations, training, documentation, conversion
<ul style="list-style-type: none">• Maintenance – fixed per year
<ul style="list-style-type: none">• Costs for optional line items
<ul style="list-style-type: none">• Ongoing enhancements support (labor rates)

Worksheets



Questions, Discussion

