State of California

Franchise Tax Board

ENTERPRISE DATA TO REVENUE PHASE 2

Special Project Report 2

7730-209

July 2024

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See attached file.

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3.1   Project Background/Summary

FTB's workloads consist of seven key Business Systems of Work (BSOWs): Return Filing, Return Validation, Filing Enforcement (FE), Audit/Legal, Underpayment, Payment, and Overpayment (Refunds). In 2007, FTB's Tax Systems Modernization (TSM) Bureau undertook an extensive effort to perform a Business Problem Analysis (BPA). The BPA consisted of enterprise strategic planning for the FTB Tax Systems IT Strategic Plan (ITSP). The BPA targeted FTB's BSOWs, specifically analyzing Return Filing, Return Validation, FE, Audit, and Underpayment with an overall objective to align FTB's goals and strategies with initiatives designed to deliver breakthrough improvements at both the enterprise and BSOW levels. The BPA clarified, defined, and detailed FTB's Strategic Goals and defined the Enterprise Vision reconciled against the vision plans of the Filing, Audit, and Underpayment business areas. In addition, the BPA defined the Strategic Business Problems (SBPs) faced by the business areas that are obstacles to achieving the Enterprise Vision and identified opportunities for solving the problems.

The Strategic Business Plan, business goals, and visions developed by the business areas were used to identify the SBPs. The BPA not only defined and highlighted business problems but illuminated strategies and opportunities to enable the business areas to achieve their visions and goals more efficiently and effectively. With validation from both the business and technology stakeholders, the SBPs produced a business focus intent on establishing a clear and comprehensive business vision to increase revenue through managing the tax gap (the difference between the amount of tax owed and the amount of tax paid), by improving and streamlining processes, reducing waste, minimizing redundancy, and reducing technology maintenance and operations costs. The BPA facilitated the formulation of a strategic IT portfolio that included a three-phased TSM effort to modernize FTB's systems environment and reach its strategic target architecture.

In 2017, a second Business Process Analysis (BPA2) was conducted to:

- Validate and refresh the previously identified business opportunities in the first BPA, with emphasis on those opportunities not implemented with Phase 1 of the Tax Systems Modernization (TSM) effort: Audit, Filing Enforcement, & Underpayment.

- Identify new business opportunities with emphasis on technology advancements since the first BPA in 2007.

- Gauge overall progress towards the technology target architecture.

- Facilitate a process to help FTB understand the benefits, outcomes, and impacts of the business opportunities identified for Phase 2 of the Tax Systems Modernization effort.

Phase 1 of the TSM effort, consisted of the Enterprise Data to Revenue (EDR) Project and addressed the problems identified in the original BPA for the Return Filing and Return Validation BSOWs (specifically in the application of modeling and case management) and built the foundation for the next two phases of the TSM effort. EDR included Imaging, Data Capture, Case Management, Return Processing, Modeling,

Taxpayer Folder, and MyFTB. EDR resulted in an enterprise data, modeling, and case management platform and infrastructure with common services that can be expanded to other enterprise workloads. With the successful completion of EDR in 2016, Phase 1 of the TSM effort was complete.

The Enterprise Data to Revenue Phase 2 (EDR2) project constitutes the second phase of the TSM effort. This project as proposed builds on the enterprise data, modeling, and case management platform and infrastructure provided by EDR by expanding enterprise case management and modeling to Audit and Legal, Filing Enforcement, and Underpayment BSOWs. EDR2 expands the functionality for Taxpayer Folder and MyFTB, and will allow FTB to decommission multiple legacy systems.

3.2 Project Status

As of the June 2024 reporting period, EDR2 overall project health is Green, and the overall project completion is 73%. As of the May 2024 reporting period, $342,772,847 (44.7%) of the total project cost ($766,091,572) has been spent.

3.3 Reason for Proposed Change

The EDR2 project has introduced highly complex technical environments needed to support both the custom EDR2 software and the many commercial-off-the-shelf (COTS) software solutions being delivered to FTB as part of the EDR2 project. EDR2 project success is dependent on FTB IT staff's ability to manage, maintain, and operate these highly complex technical environments. The complexity of these workloads and expanding responsibilities necessitates additional and higher classification levels of staff.

Per the EDR2 contract, many of the technology positions requested will support the current ongoing work to both build the EDR2 solution, but also continue the technical knowledge transfer (TKT) and transition of the EDR2 system and solution to FTB. These positions will engage in the training and TKT program required for FTB to support and maintain the EDR2 solution by project implementation period ending in January 2026. This program is designed to focus on the key new processes, roles, technologies and functions of the EDR2 solution in which FTB has no prior experience or current expertise to fill these roles. These positions will augment the existing positions FTB already redirected into lead knowledge transfer roles required to support the EDR2 solution. Failure to obtain positions for these key specialties will make FTB unable to effectively support the EDR2 solution post project.

As EDR2 proceeds through the systems development lifecycle, refinement of solution components reveals additional project complexity, required functionality, and new workloads. FTB seeks to balance resource levels with ongoing needs and requests the resources and funding listed below to continue to support project activities to ensure EDR2's success (these items reflect some, but not all, of the factors that caused the net change in total project cost).

<u>Technology Services Division</u>

Enterprise Notice Services

- **Analysis Bureau**
  - *Web & Contact Center Platform (CCP) Applications Analysis Section:*
    - *Information Technology Specialist I – One Permanent Position*
- **Development Bureau**
  - *Enterprise Services Development Section:*

- - - *Information Technology Specialist I to Information Technology Specialist II – One Permanent Upgrade*
    - *Information Technology Associate to Information Technology Specialist I – One Permanent Upgrade*
    - *One New Permanent Information Technology Specialist I in FY 26/27*
- **Quality Assurance Bureau**
  - *Web & CCP Applications QA Section:*
    - *Information Technology Specialist I – Two Permanent Positions*

FTB utilizes the Enterprise Noticing Services (ENS) to generate and print both automated and manually prepared notices to send to taxpayers. The EDR2 project will incorporate underpayment notice types as part of ENS. The Web & CCP Applications Analysis and Quality Assurance Sections request three Information Technology Specialist I positions to support the new notices through ongoing and routine maintenance to ensure notices meet evolving policy, law, and other mandated annual changes.

In addition, the ENS functionality will significantly expand, allowing additional systems and processes to provide notices to taxpayers. In addition, dynamic computations and features for managing notices will be added. To best support this increased complexity, the Enterprise Services Development Section is requesting to upgrade two positions. An upgrade from an Information Technology Specialist I to an Information Technology Specialist II is needed to oversee ENS architecture and integration with existing and new EDR2 Case Management noticing needs.

With the increase in ENS notices and the expansion of ENS functionality, an upgrade from an Information Technology Associate to an Information Technology Specialist I is required to provide development support for ongoing maintenance of the notices.

New Self-Services

- **Analysis Bureau**
  - *Web & CCP Applications Analysis Section:*
    - *Information Technology Specialist I – Two Permanent Positions*
- **Development Bureau**
  - *Web & CCP Applications Development Section:*
    - *Information Technology Specialist II – One Permanent Position in FY 25/26 and One in FY 26/27*
- **Quality Assurance Bureau**
  - *Web & CCP Applications QA Section:*
    - *Information Technology Specialist I – Two Permanent Positions*

The EDR2 project will introduce new self-service capabilities to taxpayers. The Web & CCP Applications Analysis and Quality Assurance sections requests four Information Technology Specialist I positions to support the new self service capabilities.

An Information Technology Specialist II position is needed to lead the ongoing software architecture design, coding, and integration of the new compliance self-service capabilities.

Federal Tax Forms Data Capture

- **Development Bureau**
  - *Case Management Audit & Collections Development Section:*

- **Information Technology Specialist I – One Permanent Position**
    - o **Intake Systems Development Section:**
        - **Information Technology Associate to Information Technology Specialist I – One Permanent Upgrade**

The Case Management Audit & Collections Development Section supports the development of Case Management for compliance workloads. For the first time, EDR2 will allow FTB to capture data via automation from paper-filed federal tax forms. The EDR2 project introduced functionality to capture data from forty-three federal forms. The Case Management Audit & Collections Development Section is requesting one Information Technology Specialist I position to gain the knowledge and skills from the EDR2 vendor necessary to support the processing of the forty-three federal forms.

To best support the growing workload and increased complexity of processing the forty-three federal tax forms the Intake Systems Development Section is requesting to upgrade an Information Technology Associate to an Information Technology Specialist I.

Third Party Data

- **Analysis Bureau**
    - o **Data Intake Analysis Section:**
        - **Information Technology Specialist I – Two Permanent Positions**
- **Development Bureau**
    - o **Enterprise Data Development Section:**
        - **Information Technology Specialist I to Information Technology Specialist II – One Permanent Upgrade**
- **Quality Assurance Bureau**
    - o **Intake, Data & Integration QA Section:**
        - **Information Technology Specialist I – Two Permanent Positions in FY 26/27**

FTB acquires and leverages third-party information to improve tax return processing and ensure accurate income and asset information is reported and the proper amount of tax is paid. The EDR2 project introduces fifteen new data sources and nine new third-party data marts to support underpayment, audit, and filing enforcement activities. The Data Intake Analysis Section requests two Information Technology Specialist I positions to support the new third-party sources and data marts.

The Enterprise Data Development Section oversees third-party data intake to ensure data aligns to the system and to the operational and analytical data needs of the department. This section is requesting to upgrade an Information Technology Specialist I to an Information Technology Specialist II to be a dedicated technical lead to oversee the third-party data intake as data evolves and transforms.

EDR2 New Functionality

- **Development Bureau**
    - o **Web & CCP Applications Development Section:**
        - **Information Technology Specialist I – One Additional Permanent Position**

EDR2 project scope includes eight functional components. The last two functional components are planned to be implemented by January 2026. These two final components—Automatic Speech Recognition and Modify Self-Service Channels—will require ongoing maintenance.

The Web & CCP Applications Development Section requests two Information Technology Specialist I positions to support the two new functional components implemented by the EDR2 project.

Technical Team Oversight

- **Analysis Bureau**
  - *Web & CCP Applications Analysis Section:*
    - *Information Technology Supervisor II – One Permanent Position*
- **Development Bureau**
  - *Enterprise Services Development Section:*
    - *Information Technology Supervisor II – One Permanent Position*
- **Quality Assurance Bureau**
  - *Intake, Data & Integration QA Section:*
    - *Information Technology Supervisor II – One Permanent Position*

EDR2 is an extension of the solution provided by the first phase of the EDR project. This extension results in compounding complexity and growth of workloads for technical oversight teams. To support the workloads from the EDR2 solution, multiple teams have grown in both size and in number of workloads that they support. The Analysis Bureau, Development Bureau, and Quality Assurance Bureau require additional IT Supervisor II positions to ensure the span of control is appropriate and consistent with other technical areas in the bureau and department.

For the Analysis Bureau, a supervisor at the Information Technology Supervisor II level is needed to oversee the External Applications and Self-Service Analysis Unit that will support a variety of complex web-based applications and services. This section will provide analysis support for the additional self-service solutions generated by EDR2.

Today, Web & Contact Center Platform Applications Analysis Section is made up of two units which are overseen by two supervisors. The additional Information Technology Supervisor II position would spread nine complex workloads and thirty-three staff amongst three supervisors instead of two, ensuring an appropriate staff to supervisor ratio.

For the Development Bureau, a supervisor at the Information Technology Supervisor II level is needed in the Enterprise Noticing Service Unit that will support the expansion of FTB's ENS. Today, the Enterprise Services Development Section is made up of two teams which are overseen by two supervisors. The additional Information Technology Supervisor II position would spread six complex workloads and twenty-two staff amongst three supervisors instead of two.

Today, the Intake Data & Integration Quality Assurance Section is made up of three units which are overseen by three Information Technology Supervisor IIs. The additional Information Technology Supervisor II position would support a new Data Reports & Visualization Quality Assurance unit to support the additional asset hub, reports, and data visualizations workloads generated by EDR2. With this new team, the Intake Data & Integration Quality Assurance Section will be made up of fifty-six staff and thirteen workloads across four units.

Infrastructure Services

- **Infrastructure Services Bureau**
  - *Platform Support Unit:*
    - *Information Technology Specialist I – Four Permanent Positions*
    - *Information Technology Specialist II – One Permanent Positions*

- o ***Enterprise Database Mgmt Section:***
  - ▪ ***Information Technology Associate to Information Technology Specialist I – Two Permanent Upgrades***
- o ***Network Virtualization & Storage Engineering Section:***
  - ▪ ***Information Technology Specialist I to Information Technology Specialist II – One Permanent Upgrade***

The Infrastructure Services Bureau is requesting five Information Technology Specialist positions to support new workloads administering technology solutions introduced by the EDR2 project.

- • One Information Technology Specialist I for Container Application Server Management
- • Two Information Technology Specialist I for Container Platform Administrator
- • One Information Technology Specialist I Data Visualization Services Administrator.
- • One Information Technology Specialist II for Distributed Computation Engineer.

These positions will configure, test, patch, upgrade, tune, troubleshoot, and monitor these solutions to keep them secure, updated, and operating efficiently.

Infrastructure Services Oversight

- • **Infrastructure Services Bureau**
  - o ***Server Engineering Section:***
    - ▪ ***Information Technology Manager I – One Permanent Position***
  - o ***Enterprise Database Management Section:***
    - ▪ ***Information Technology Manager I – One Permanent Position***
  - o ***Server Engineering Services:***
    - ▪ ***Information Technology Manager II – One Permanent Position***

The technologies and systems introduced by the EDR2 project increases complexity and scope of the workload under multiple managers within the bureau. Because of the complexity of the work and consequence of error, the bureau's direct supervision level is at the Information Technology Manager I level.

The Server Engineering Section is currently made up of two units that perform separate and distinct functions. One of the units provides servers services based on Microsoft Windows server operating systems, third party products that integrate and run on those servers, and other appliances or technologies that meet technical needs of our customers.The unit is currently staffed with eighteen Information Technology Specialists to one Information Technology Manager I. The unit's span of control and consequence of error are increasing due to the addition of the Cloud Landing Zone by EDR2.

An additional Information Technology Manager I is needed to appropriately group the staff and workload, provide sufficient support, and oversight of the team members, and appropriately distribute the span of control between the existing manager and the new Information Technology Manager I, resulting in nine staff members reporting to each Information Technology Manager I.

The Enterprise Database Management Section is in a similar scenario. Currently there are two units that provide Database Support. EDR2 adds additional complexity and solution components to the span of control of one of the existing Information Technology Manager I that currently has 15 direct reports for a highly complex workload. An additional Information Technology Manager I is requested to split that team into two, which will reduce the staffing ratio for the oversized unit from 15 staff to

two teams of seven to nine staff. This will allow for an appropriate span of control for each manager, sufficient support for team members, and proper oversight of workload and performance.

The span of control at the sub-bureau level has also increased. Each of the two current Assistant Bureau Directors (Information Technology Manager II) has at least five different technology units reporting to them. Each unit supports several enterprise technology solutions with critical impact to the department. Due to increased staffing numbers via this and previous BCPs, increased technology services and solutions from EDR2, and two additional IT Manager I's via this BCP, an additional IT Manager II is needed.

The third Assistant Bureau Director will allow for the appropriate distribution of support responsibilities for mission critical technology solutions, proper oversight, collaboration, support, and management of these complex units. The five units that support all the servers would report to the new Assistant Bureau Director. The five units that support all databases and other platform technologies would report to an existing Assistant Bureau Director. The units that support telecommunications, network engineering, virtualization technologies, storage technologies, and data protection technologies would report to the second existing Assistant Bureau Director.

Enterprise Architecture

- **Enterprise Architecture**
  - **Chief Technologist Office:** *Enterprise Architecture Office:*
    - *Information Technology Specialist II – One Permanent Position*

FTB requests one IT Specialist II position to provide dedicated focus on the buildout and successful integration of EDR2 technologies within the existing Enterprise Tax System platform, as well as ensuring FTB's technology stack is well-positioned for its EDR3 project.

Without this dedicated position and focus, FTB will not be able to succeed in planning and implementing the future software upgrades, complex integration points, and seamless interoperability between Enterprise Tax System technical components.

Legacy System Data Clean-up/Conversion Function

Accounts Receivable Management Division

- **Advisory, Analysis, & Services Bureau**
  - *Systems Analysis Team:*
    - *Compliance Representative – Three Six-month Limited-term Positions*
    - *Administrator I – One Six-month Limited-term Position*

The ARMD's primary case management collection system, ARCS, is being replaced in the EDR2 project. The legacy case management system includes Personal Income Tax (PIT) and Business Entity (BE) Tax delinquent debts, collection history, and contact history. The ARMD received four limited-term positions in FY 2023-24 to manually analyze and resolve collection cases prior to and after the vendor's automated conversion from the BE Tax collection legacy system to the new system.

The limited-term Compliance Representative positions are effective January 1, 2024, through June 30, 2025, and the Administrator I position is effective July 1, 2023 through June 30, 2025. Although the positions were scheduled to start on January 1, 2024, the work was delayed due to data conversion challenges, and the hiring was postponed to July 1, 2024. Due to the delay, an additional

six months is needed to complete the data clean-up and conversion. Thus, FTB is requesting to extend the four limited-term positions to December 31, 2025.

The Compliance Representatives will continue to analyze and resolve accounts in the legacy collection system to ensure data integrity and maximize the effectiveness of the automated data conversion in the new case management system. They will also continue to track and report common issues to assist with account conversion by analyzing and resolving accounts in the legacy collection system that did not convert to the new case management system. Extending the limited term positions will allow for a smooth transition from the current legacy BE system to the new enterprise tax system.

- **Special Programs Bureau**
  - *Decedent Program:*
    - *Overtime*

The Decedent Program in the ARMD collects outstanding tax liabilities on deceased debtor accounts. The ARMD is requesting overtime for the Compliance Representatives (CRs) located within the Specialized Collection Section, Decedent Program. The overtime hours will be utilized to file timely creditor claims, withdraw resolved claims, amend claims, take legal actions on rejected claims, process probate settlement offers, and pursue beneficiaries.

- **Business Entity Collection Bureau**
  - *BE Collection Operations Section:*
    - *Overtime*

The Business Entity Collection Bureau (BECB) in the ARMD assists delinquent California Corporations, Partnerships, and Limited Liability Companies to meet their tax obligation and pay the proper amount owed, while striving to keep them in business. With the enhancements created by EDR2, BECB anticipates higher volumes and more complex collection cases being created and available to pursue.

The ARMD is requesting overtime for CR(s) to provide customer service to taxpayers or their representatives via outgoing telephone calls and or correspondence, by explaining the provisions of the business entity income tax laws and collection processes administered by FTB. The additional overtime hours will aid BECB in completing essential compliance workloads to maintain a satisfactory level of access and generate revenue.

Training and Procedures

<u>**Administrative Services Division**</u>

- **Privacy Security and Disclosure Bureau**
  - *Security Operations Section:*
    - *Information Technology Specialist II – One Permanent Position*

The Privacy Security and Disclosure Bureau (PSDB) develops security policies and procedures to ensure confidentiality, integrity, and availability of FTB's information systems and to protect the information that they contain. The Security Operations Center (SOC) ensures that FTB's information security systems and data is maintained and in accordance with internal and external policies, standards, and guidelines.

EDR2 will adopt a new Azure Cloud computing environment to host applications that contain Personal Identifiable Information (PII), Federal Tax Information (FTI) and Tax Data, which requires new security solutions and configuration. The SOC is requesting an Information Technology Specialist

II to perform the more complex configurations and monitoring of the new cloud environment to ensure FTB's confidential data is protected.

- **Organizational Development and Talent Management Bureau**
  - *Enterprise Talent Development Section:*
    - *Staff Operations Specialist – Seven Permanent Positions*
    - *Administrator I – One Permanent Position in FY 25/26 and One in FY 26/27*

The Enterprise Procedures & Training Program within the Enterprise Talent Development Section requests seven Staff Operations Specialist (SOS) positions for the development and maintenance of Interactive Computer-Based Trainings (iCBTs).

The additional work and increase in staffing will create a span of control issue for the Enterprise Procedures & Training Program. Today, the Enterprise Procedures & Training Program is made up of two teams, the Enterprise Training and Enterprise Procedures teams, which are overseen by one Administrator II. The Enterprise Training team consists of one Administrator I and 11 staff. The Enterprise Procedures team is made up of 10 staff, does not currently have an Administrator I, and is overseen by the Administrator II. The Enterprise Procedures & Training Program is requesting one Administrator I to oversee the Enterprise Procedures team. This position will provide leadership, guidance, and oversight to staff who are responsible for the delivery, maintenance, and future creation of the EDR2 iCBTs. Without these positions, the enterprise will be unable to develop, provide and maintain EDR2 training for staff.

Operating Expenses and Equipment

EDR2's IT Asset Transition (Software) - $1,777,494

The EDR2 project will begin the transition of IT software assets from the EDR2 Solution Providers (SP) to FTB in FY 25/26 and ongoing. During the IT software asset transition, FTB will collaborate closely with the SP along with software manufacturers and software providers, to facilitate the transfer of software licenses and entitlements or to establish new software subscriptions as necessary. These software resources ensure continuity of technical operations as the EDR2 solution transitions from SP support to FTB support.

Additional EDR2 Software - $2,263,184

New software needs identified between SPR1 and SPR2, primarily Okta Auth0 IDaaS. As part of the EDR2 project's modernization initiative, MyFTB will be migrated from its current web-based technology to cloud-ready commercially supported open-source technology. Per the EDR2 contract, the SP is responsible for migrating MyFTB to cloud-ready open-source technology while FTB's responsibility lies in upgrading the MyFTB users' authentication and authorization protocol. To comply with our responsibility, FTB has selected the Okta Auth0 service to upgrade MyFTB users' authentication and authorization protocol. The Okta Auth0 service is a cloud native service that meets MyFTB's users' authentication and authorization requirements whether MyFTB is deployed on FTB's private cloud or public cloud.

3.4   Proposed Project Change

The total project cost in this SPR2 is $784,478,283, up from $766,091,572 approved in SPR1. The net increase in total project cost is $18,386,711, as reflected in the revised FAWs attached below.

3.4.1 Accessibility

The development of the applicable information technology (IT) product(s) or service(s) required by FTB will meet Government Code 7405 applying Section 508 of the Rehabilitation Act of 1973 as amended. Section 508 encompasses Web Content Accessibility Guidelines (WCAG) 2.0; however, the EDR2 contract states that the proposed system will meet the latest WCAG guidelines, version 2.1. FTB's Accessibility Policy GPM 7015 should be adhered to as well.

3.4.2 Impact of Proposed Change on the Project

To avoid interruptions to FTB's current business processes, impacts to taxpayers and ensure successful implementation of EDR2, these changes must be made during the current EDR2 implementation timeframe and align with the release schedule for the impacted compliance processes.

3.4.3 Feasible Alternatives Considered

There are no other feasible alternatives that would allow EDR2 to meet its objectives and requirements. The proposed project change is necessary to achieve successful implementation as planned and also maintain and operate the solution in the future.

3.4.4 Implementation Plan
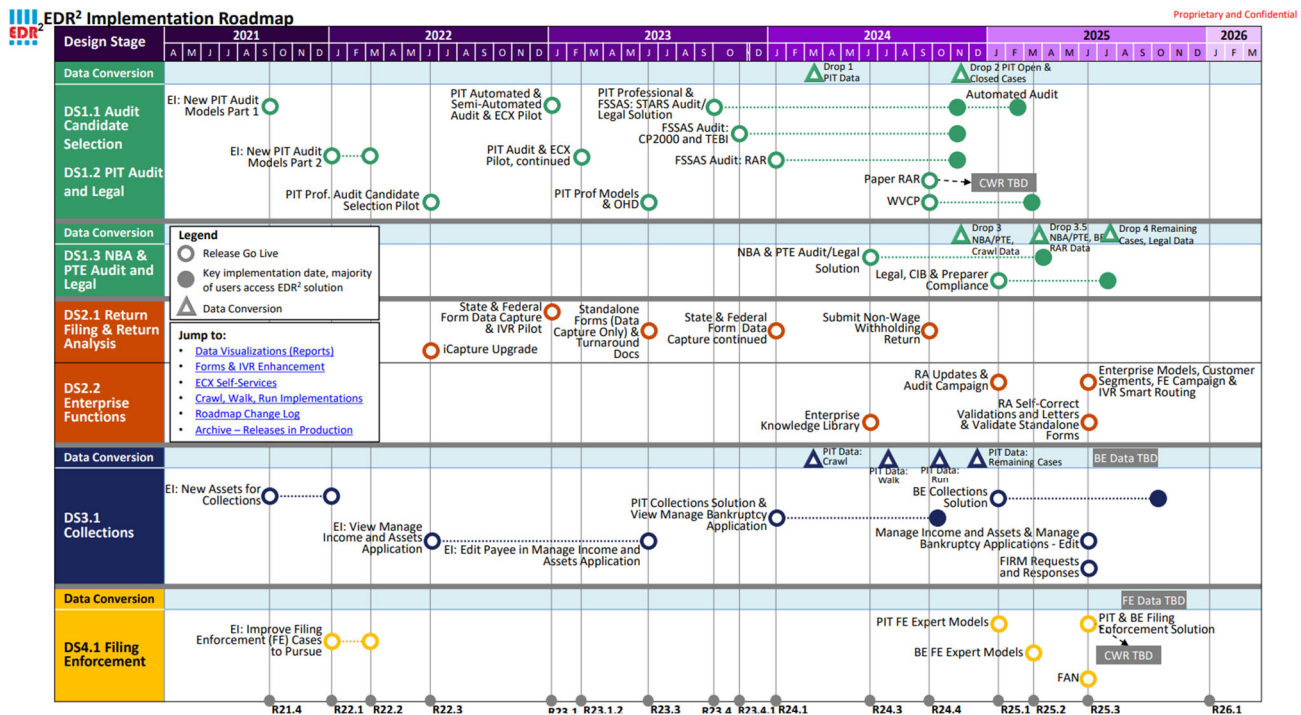
4.0 Updated Project Management Plan

No change to Project Management Plan

5.0 Updated Risk Management Plan

No change to Risk Management Plan

6.0   Updated Financial Analysis Worksheets (FAWs)

1. FAWs from SPR1

[Excel file icon]

 SPR EDR2 FAW for
CDT_v2_12-21-2023.:

2. FAWs for the Proposed Change

[Excel file icon]

EDR2 SPR2 FAW for
CDT.xlsx

7.0   Attachments

- Executive Approval Transmittal
- Project Summary Package
- Original FAWs
- Proposed FAWs

8.0   Appendix 1 (if any additional information)