

STARS Integrated Tax System Modernization Project

State of Arizona – ADOR

ITAC Meeting - 6/21/2023



Agency Vision

*Funding Arizona's priorities through excellence in innovation,
exceptional customer service experience, and public servant-led
continuous improvement.*

Agency Mission

Serving Taxpayers



Executive Session In Progress

Please Stand By

Team Introduction

Roles Present at ITAC

- Neeraj Deshpande - Deputy Director, ADOR
- Michael Hillebrand - Statewide Procurement Manager, State Procurement Office, ADOA
- Thomas Rieckhoff - Interim CIO, ADOR
- Lorilea Hudgins - Senior Project Manager, ADOR
- Zac Sharp - Deputy Assistant Director, ADOR
- Elaine Smith - Deputy Assistant Director, ADOR
- Stacy Wallace - Chief Security Officer, ADOR

Project Introduction

Stated Operational/Business Issue

- 2019 Auditor General finding required ADOR to start planning for a new system (Report 19-106).
- 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.
- Most of the key systems are old technology and are becoming increasingly difficult and costly to maintain.
- The lack of integration makes taxpayer service and compliance activities difficult.
- The Department's current external facing portal does not offer services for all tax types.

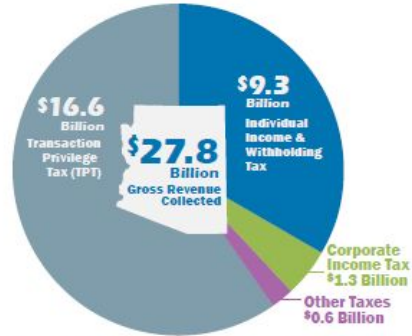
Benefit to the State Agency and Constituents

- Single integrated tax system (ITS) of record that will house all business functions, for all tax types
- Improved Tax Administration
- Expanded Electronic Services
- Data-driven strategies to reduce the Arizona Tax Gap
- System will be configurable and adaptable to respond to changes in legislation

Project Introduction

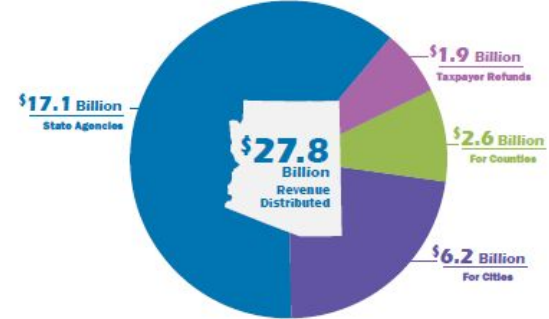
Agency Highlights

Total Gross Revenue Collected



(Detailed gross revenues are reported under TABLE 1)

Total Revenue Distributed

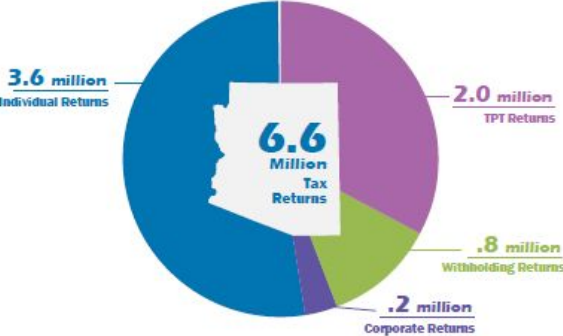


Figures drawn from [Strategic Plan Update FY 2023](#)

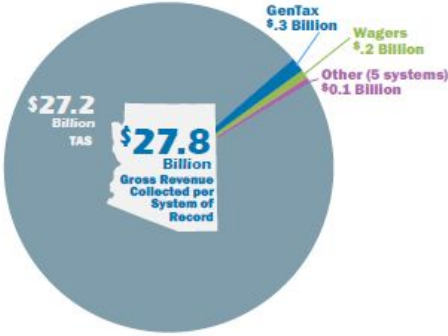
Project Introduction

Agency Highlights

Total Number of Tax Returns Processed



Revenue by System of Record



Project Introduction

Preparation Activities - January 2019 to Date

- Collaboration with other state DORs
 - Discussions included lessons learned, best practices
- Collaboration with Arizona State Agencies and Stakeholders
 - DCS and GAO on their recent projects
 - Cities, Towns and Counties
 - AFIT, ATRA and 3rd party software vendor on current system pain points
- Correspondence
 - Inventoried all current ADOR correspondence
- Data Cleansing
 - Effort started in 2019, established Tax Data Management District
- Data Management
 - Data Management Maturity (DMM) Assessment completed with ADOA
 - Applying DMM principles learned in preparation activities

Solicitation Statutory Requirements

SB 1729 & HB 2869 (2022)

- Laws 2022, Ch. 320 indicated that the department could not use any mandatory minimums in its solicitation for a new integrated tax system. This included:
 - Number of years spent developing information technology systems, number of years spent developing information technology systems in this state
 - Number of integrated tax systems implemented
 - Requires that ADOR review any proposal from an offeror that has developed, marketed and deployed, in whole or or in part, an integrated tax system of similar size and complexity
- Laws 2022, Ch. 313, § 107(D) requires that the new integrated tax system must:
 - Capture data fields from electronically-filed individual and corporate income tax returns and makes the data available for querying and reporting purposes
 - Capture information regarding the principal business activity of corporations
 - Includes an integrated individual income tax model within the project and provide the staff of ADOR, JLBC, and OSPB direct access to the model
 - Makes individual and corporate income tax data available for querying, modeling, and reporting within twenty-four months following the end of a tax year

Project Costs - Current Request Through October 2023

Project Costs by Category	Amount
Personal Services / ERE	252,800
All Other Operating Expenditures	
Contractor Services	364,000
Vendor Costs	14,086,100
IV&V	246,000
Total Development Costs	14,948,900

FY 2023 APF Overview	
Total Amount Appropriated - FY23	15,819,800
Amount Favorably Reviewed - September 2022	870,900
Current Request	14,948,900
Remaining FY23 Appropriation	0.00

Q & A Session

Recommended Conditions

ADOA-ASET Conditions

1. 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.
2. 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 July 15, 2023.
3. 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.
4. 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.
5. 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.
6. 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.

ITAC Voting Options

What ITAC May Consider In Review Whether:

- a. The proposed solution addresses the stated problem or situation;
- b. The budget unit is competent to carry out the project successfully;
- c. Sufficient sponsorship and support by budget unit leadership exists;
- d. Cost estimates provided are accurate;
- e. The proposed project aligns with the budget unit's Strategic IT Plan; and
- f. The proposed solution complies with statewide IT standards.

ITAC Motions:

- a. Move to Approve
- b. Move to Approve with Conditions As Presented
- c. Move to Approve with Conditions
 - i. Committee May Modify or
 - ii. Add Conditions
- d. Move To Deny

Relevant Statutes and Rules