STARS Integrated Tax System Modernization Project (RV23006)

State of Arizona – ADOR

Informational Update

September 18, 2024

Agency Vision

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

Agency Mission

Serving Taxpayers

Project Team Introduction

ARIZONA DEPARTMENT OF ADMINISTRATION TECHNOLOGY

Roles Present at ITAC

- Rob Woods - Director, ADOR
- Neeraj Deshpande - Deputy Director, ADOR
- Ranbir Samra - Chief Information Officer, ADOR
- Fran DAntonio - STARS Program Manager
- Zac Sharp - Deputy Assistant Director, ADOR
- Joie Estrada - Budget Director, ADOR
- Lorilea Hudgins - STARS Senior Project Manager, ADOR
- Sohrab Rezvan - Vice President and STARS Project Manager, Voyatek

Project Status

ARIZONA DEPARTMENT OF ADMINISTRATION TECHNOLOGY

ITAC Quarterly Informational Update

- *The STARS Project Team is returning on a quarterly basis to provide a project status update as required by the ITAC condition that was approved in the December 2023 Meeting.*
- *The following slides are to serve as a project update.*

Project Highlights - Quarter 4 (as of 8/31/2024)

- **RevHub Implementation:**
  - Liquor Luxury Tax (LLT) Delivery Schedule - February Go Live is Delayed.
  - Nuclear Assessment Implementation Plan completed in August. Tobacco and Bingo Plans are underway.
  - STARS Project Steering Committee Approved - Unclaimed Property to shift to Phase 3. ADOR accepted proposal by Voyatek to pursue established Unclaimed Property vendor.

- **Discovery & Planning:**
  - Progress update of Discovery Documents of Understanding.
  - STARS Milestone Deliverables due Quarter 4 are behind schedule. Quarter 5 have already been completed.
  - Initiation of Benefits Realization effort to define and monitor value driven KPIs by Tax Type.

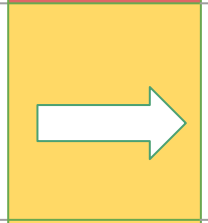
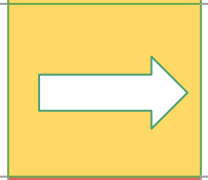
- **Analytic Models:**
  - Collections Optimization, Accounts Receivable Minimization, and Transaction Privilege Tax (TPT) Analytic Models are proceeding according to schedule.

STARS Project Health Card

ARIZONA DEPARTMENT OF ADMINISTRATION TECHNOLOGY

Overall Project Health is Red

Time Period: August 2023 - August 2024

Schedule		• The STARS Project is reporting a delay in the delivery schedule for Liquor Luxury Tax. Key contributing factors are largely tied to the initial deployment of a tax type. The STARS Project team is jointly re-assessing the impact to the implementation plan and schedule.
Milestones		• The STARS Project Major PIJ Milestones Status - Reference Program Status slide. ○ 10 - Completed ○ 7 - Currently on schedule ○ 2 - Schedule Red ○ 2 - Scheduled start in the future
Budget		• The STARS Project is currently tracking under budget. Reference associated slide. • The budget, expenditures and estimates are reviewed monthly as part of the APF Financial Reporting. • Extended timeline with potential increase in expenditure in the out years
Risks		• The project risks are actively managed according to the STARS Risk Management Plan. • The Gartner IV&V Risk Assessment Score for the STARS Project is High. These Risks are being actively reviewed and monitored according to the mitigation plan.
Issues		• The project issues are actively managed according to the STARS Issue Management Plan. • The STARS team is tracking 2 High Impact Issues related to the delivery of Liquor Luxury Tax.

STARS Program Status

Project Health by Key Initiative

Time Period: August 2023 - August 2024

Liquor Luxury Tax Implementation *- Progress Delayed* *- Key Contributing Factors and Mitigation Strategies*		• **The STARS Project is reporting a delay in the delivery schedule for Liquor Luxury Tax. Key contributing factors include:** ✓ Increased Discovery Phase Scope - Schedule brought forward for the implementation of Liquor Luxury Tax and Analytic Models increasing the scope and complexity of the Discovery Phase. ✓ Increased Program Complexity – Pulling scope forward raised the number of parallel activities increasing program complexity and resource contention across teams. ✓ Delivery Delays - Technical Setup of the Revhub environment was completed in July. However, delays in delivery caused an impact to downstream activities including product demos and hands-on access. • **Key Mitigation Strategies:** ✓ Voyatek, ADOR, and Gartner are engaging in detailed product and technical discussions and demonstrations to better inform future planning. ✓ LLT Delivery Change Management Plan - developed to shift focus from planning and to engage teams in the delivery of the new integrated tax system which includes a re-evaluation of the plan, schedule, program reporting and associated training programs.

STARS Program Status

Project Health by Key Initiative

Time Period: August 2023 - August 2024

Discovery & Planning *- On Schedule*		• Continued progress on Discovery and Planning activities for Phase 1-4 tax types. • Initiation of Benefits Realization effort to define and monitor value driven KPIs by Tax Type.
Analytic Models *- On Schedule*		• Collections Optimization Analytic Model - Initial Test Deployment completed in early August. • Accounts Receivable Minimization Analytic Model - Work is underway, Scheduled to be deployed in December 2024. • TPT Analytic Model - Work is underway, Business requirements completed

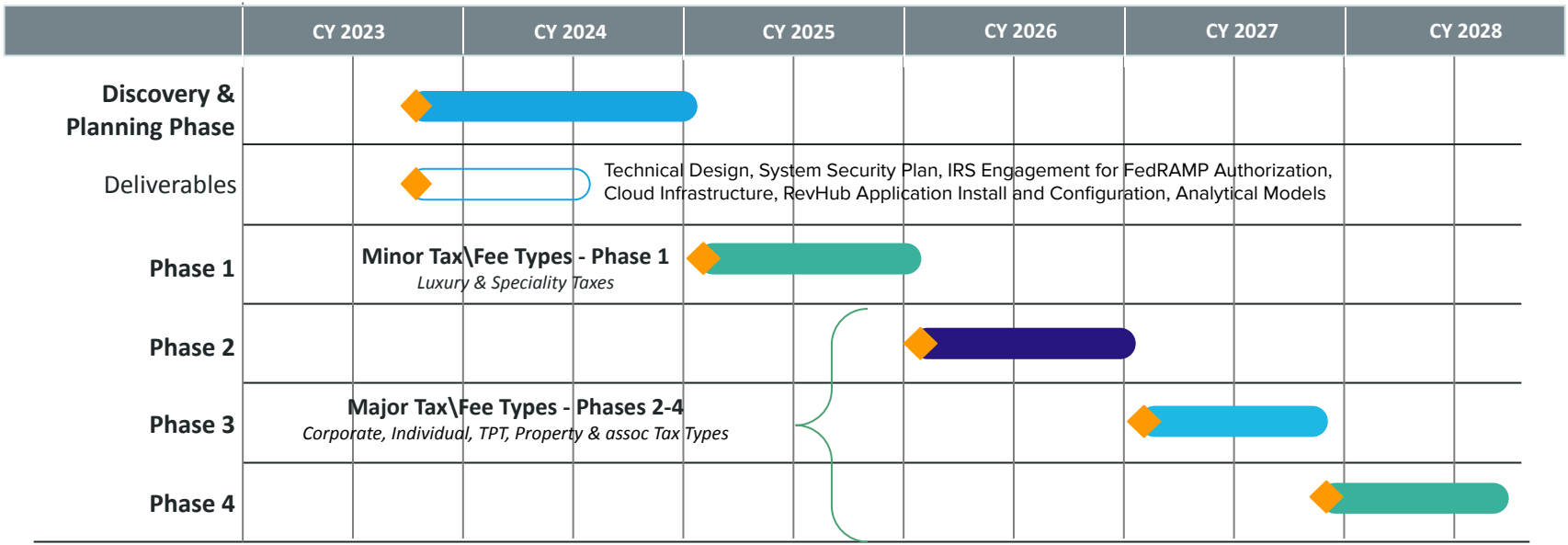
IV&V Risk Assessment Quarterly Report

ARIZONA DEPARTMENT OF ADMINISTRATION TECHNOLOGY

Gartner Risk Assessment Report #3 - November 2023 - August 2024

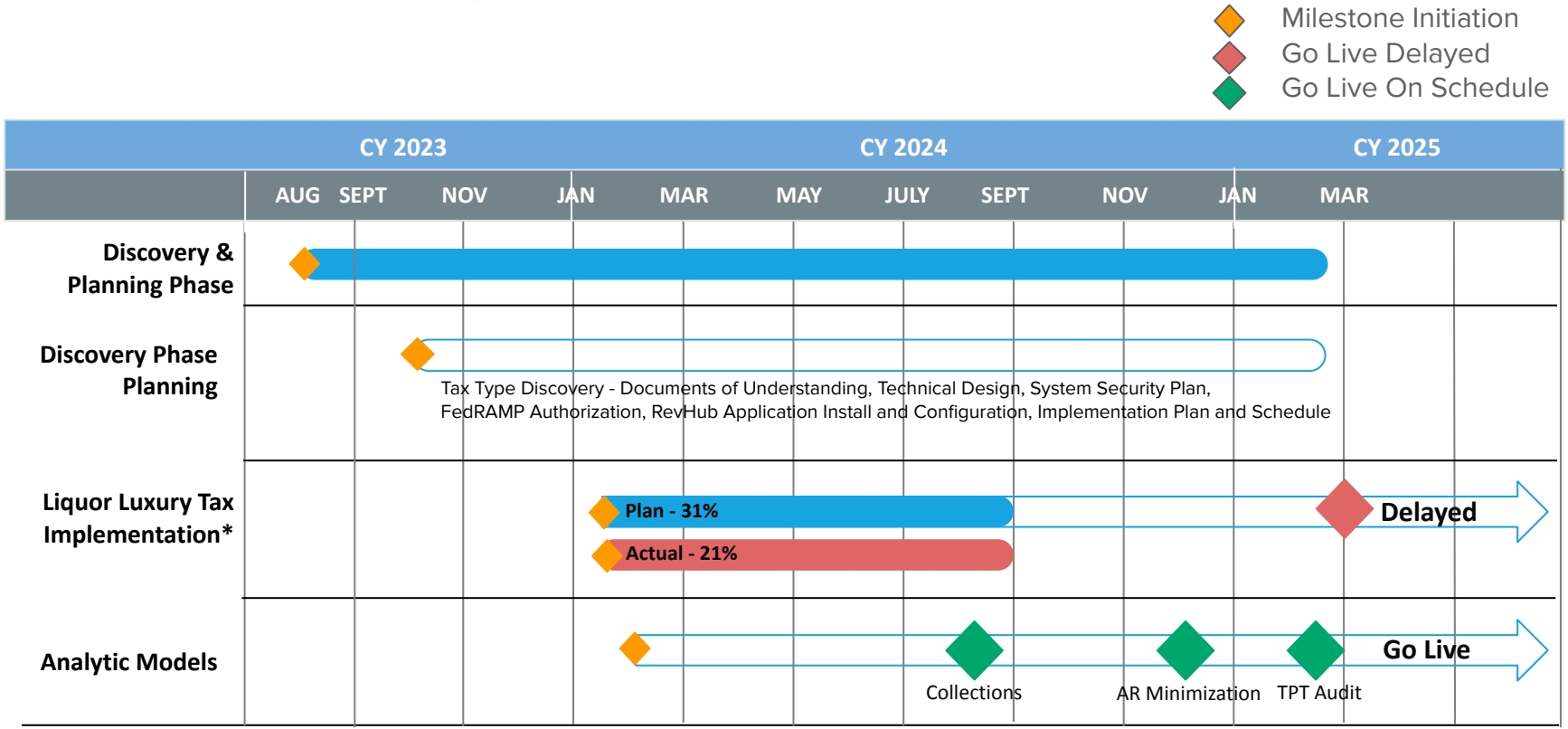
- The current Gartner Risk Assessment Score for the STARS Project is High.
- Risks are being actively reviewed and monitored according to the mitigation plan.
- Key Gartner Recommendations include the following:
  - RevHub Access - Provide the ADOR project team with hands-on access to the RevHub product
  - Vendor Organization Chart - Update existing STARS Organization Chart to identify Team Voyatek
  - Implementation Planning - Provide transparency in implementation planning activities
  - Reporting Workstream Activities - Improve transparency into workstream activities
- Key Gartner Bright Spots:
  - STARS Resources - New Program Manager (Fran D'Antonio) is providing strategic oversight, informed by experience with tax administration and integrated tax system (ITS) projects.
  - Increased Collaboration - Project teams are working together to stay aligned and maintain common understanding of status.
  - Prioritization of Liquor Luxury Tax Implementation - Lower priority work is being deferred in favor of LLT.

STARS Project Timeline - Overall



STARS Discovery & Planning Phase BAFO - Estimated high level timeline, to be refined during the Discovery & Planning Phase.

STARS Discovery Phase



STARS Discovery & Planning Phase BAFO - Estimated high level timeline, to be refined during the Discovery & Planning Phase.

*STARS Liquor Luxury Tax - Timeline is subject to change.

Discovery Phase and Phase 1 Financials

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Discovery Phase and Phase 1 Financials - FY 2023 - FY 2024

Project Budget: $32,476,200
Expenditure to date: $19,624,509
Budget Remaining: $12,851,691

Pre-Project Start Date: 8/29/2022
Project Start Date: 8/8/2023
Phase End Date: 2/28/2025

	SFY 2023	SFY 2024	SFY 2025											
			July	August	September	October	November	December	January	February	March	April	May	June
Baseline Projection	870,900	22,193,213	554,023	2,448,725	2,401,650	872,725	634,400	2,475,750	2,185,825	702,950	2,732,376	781,050	646,250	2,846,776
Actual	503,085	18,287,023	401,051	433,350										
Variance ($)	367,815	3,906,190	152,972	2,015,375										
Variance (%)	42%	18%	28%	69%										

NOTES:

- Variance is due to deliverables, invoice and payment timing.
- Financials do not cover the entire project budget, rather it reflects the current approved Appropriation.

Q & A
Session

Thank You

Appendix

Project PIJ Milestones

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Milestone Name	Milestone Health	Status	Start Date	End Date
Project Initiation - Vendor Engagement and Onboarding		Complete	8/8/2023	11/8/2023
Project Initiation - Establish ADOR Project Governance		Complete	8/8/2023	11/8/2023
Phase Initiation - Update Communications and Stakeholder Plans according to Discovery Phase Milestones		Complete	8/8/2023	11/8/2023
Create Organizational Change Management Plan		Complete	10/16/2023	2/8/2024
Human Resources - Onboard STARS Discovery Phase Project Staff		Late	10/16/2023	2/8/2024
Budget & Finance - Statutory Requirement - Assessment Billing (2023)		Complete	9/1/2023	2/8/2024
Budget & Finance - Payment Milestone - Vendor to Invoice according to payment schedule		Complete	8/8/2023	2/7/2025

Project PIJ Milestones

ARIZONA DEPARTMENT OF ADMINISTRATION TECHNOLOGY

Milestone Name	Milestone Health	Status	Start Date	End Date
Project Execution - Deploy ITS base cloud and application infrastructure per Pub 1075 regulations		Complete	8/8/2023	2/8/2024
Project Execution - Discovery Phase: ADOR & Voyatek to jointly develop the implementation plan for the entirety of the project		In Progress	10/9/2023	2/7/2025
Project Execution - Discovery Phase: ADOR and selected Vendor to jointly develop the delivery schedule associated with the deliverables included in the Contract		In Progress	10/9/2023	2/7/2025
Project Execution - Data Management Workstream		In Progress	8/8/2023	2/7/2025
Project Monitoring - Statutory Requirement - IV&V Vendor Onboarding and Project Monitoring		Complete	8/8/2023	2/8/2024
Project Monitoring - Statutory Requirement - Tax System Modernization Project Advisory Committee Engagement		Complete	8/8/2023	2/8/2024
Budget & Finance - Final Payment Milestone - Quarterly Support, Hosting and Implementation Services Payment		Not Started	2/28/2025	2/28/2025

Project PIJ Milestones

ARIZONA DEPARTMENT OF ADMINISTRATION TECHNOLOGY

Milestone Name	Milestone Health	Status	Start Date	End Date
Budget & Finance - Statutory Requirement - Assessment Billing (2024)		Not Started	9/1/2024	2/7/2025
Project Execution - Discovery Phase: Participate in Discovery and Planning activities identified in the Voyatek Project Schedule.		In Progress	2/9/2024	2/7/2025
Project Execution - Discovery Phase: Voyatek to deliver agreed upon deliverables according to the Project Strategy document		Late	2/9/2024	2/7/2025
Project Execution - Discovery Phase: Vendor to deliver the System Security Plan outlining the compliance plan and status for AZRamp, Pub 1075 and FedRAMP.		In Progress	2/9/2024	2/7/2025
Project Monitoring - Statutory Requirement - IV&V Project Monitoring		In Progress	2/9/2024	2/7/2025
Project Monitoring - Statutory Requirement - Tax System Modernization Project Advisory Committee Activities		In Progress	2/9/2024	2/7/2025
DP Project Execution - Implementation of Liquor Luxury Tax Type for monthly filers as part of an early adopter program.		Late	2/1/2024	2/28/2025

STARS Risks and Issues Metrics

Risks and Issues Metrics								
Active Risks		New Risks		Closed Risks		Open Issues	
Last Quarter	This Quarter	Last Quarter	This Quarter	Last Quarter	This Quarter	Last Quarter	This Quarter
16	17	4	4	8	3	1	5

STARS Project Overview

ARIZONA DEPARTMENT OF ADMINISTRATION TECHNOLOGY

Preparation Activities - January 2019 to Date

- Conducted Feasibility Study - Collaboration with other state department's of revenue
  - Discussions included lessons learned, best practices
- Collaboration with Arizona State Agencies and Stakeholders
  - Cities, Towns and Counties
  - Arizona Forum for Improvement of Taxation (AFIT), Arizona Tax Research Association (ATRA) and 3rd party software vendor on current system pain points
- Data Cleansing and Preparation

Description of Project

The State has executed a contract with GCOM Software LLC to provide an enterprise platform for integrated tax administration.

- The RevHub Integrated Tax System (ITS) will contain all tax types and business functions that are administered by the Arizona Department of Revenue (ADOR).
- The RevHub ITS will contain an external facing taxpayer portal that will include all tax types & fees administered by ADOR.
- Contains a native income tax policy simulator to be used by ADOR, Office of Strategic Planning and Budget (OSPB) and Joint Legislative Budget Committee (JLBC), meeting the statutory requirement.