



ADOA - ASET

Arizona Strategic Enterprise Technology

Project Investment Justification

Version 01.01

A Statewide Standard Document for Information Technology Projects

Project Title:

Data Capture

Agency Name:	Department of Revenue
Date:	09/16/2014
Agency Contact Name:	Janice Swim
Agency Contact Phone:	
Agency Contact Email:	

[Hover for Instructions](#)

I. Management Summary*

This project will capture data on page two of the individual income tax returns and data on AZ Form 301 (Nonrefundable Individual Tax Credits and Recapture). This information will be uploaded from e-filing and 2D barcode tax returns into the Tax Administration System (TAS). The individual income tax returns which are mailed to the ADOR would be keyed by Processing Administration staff. The project will require scanning all pages of the paper forms 140, 140A, 140NR, 140PY, 140X and related documents. It would also require the data entry screens to be revised to reflect the additional data being captured. Once the data is captured it will need to have a place in TAS to reside, therefore requiring additional fields and display screens to be added to the system. Also, current reports which are generated by TAS would need to be modified to include the additional data.

II. Project Investment Justification (PIJ) Type*

Yes No Is this document being provided for a Pre-PIJ / Assessment phase?

Identify any cost to be incurred during the Assessment phase.	
Based on research done to date, provide a high-level estimate or range of development costs anticipated for the full PIJ.	\$0

Explain:

Yes No Will a Request for Proposal (RFP) be issued as part of the Pre-PIJ or PIJ?

III. Business Case

A. Business Problem*

ADOR is required to provide statistical data to the Governor's Office and the Legislature detailing the approximate costs in lost revenue for all state tax expenditures. This information includes deductions, subtractions, exclusions, exemptions, allowances and **credits**. It also includes the impact of the reduction in **long-term capital gains** subject to income tax. Currently, page 2 information on an individual income tax return is not captured in TAS which stores this data. Since the data is not captured in TAS the process of developing audit leads for individual income tax audit and providing statistics for the department's annual report to the Governor's Office is a manual process.

Individual Income Tax [REDACTED] audit programs. [REDACTED]
[REDACTED] Arizona State individual income tax return are compared line-by-line. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

Capturing page 2 data from paper returns would help the department compare dependents [REDACTED] on the Arizona return, exemption differences (over 65, blind, dependents, parents) [REDACTED].

In addition, information on AZ Form 301 is not captured in TAS. The Office of Economic Research & Analysis (OERA) researches individual income tax credits. Currently, OERA has to provide the department's warehouse with a list of 2D barcode and paper returns with credits to be pulled and copied. The warehouse copies the first page of the 140, 140NR, 140PY, both pages of the 301 and any other credit forms attached to the return. Then the data from the copies provided by the warehouse is keyed into credit tracking spreadsheets for analysis.

Capturing data from 301 would eliminate the manual process of updating the spreadsheet and having the warehouse copy this form. If all of the return was scanned OERA would be able to view the returns electronically thereby eliminating the need to have these forms pulled and copied by warehouse staff. It would also allow for a timelier turnaround time for analyzing credits on individual income tax returns.

B. Proposed Business Solution*

The proposed solution is to continue to scan page one and two of the individual income tax returns and add the scanning of AZ Form 301 for paper returns using the current vendor. Scanning of the individual income tax returns means that the paper document is imaged so it can be displayed on a monitor for the data entry staff to be able to read and key the information into the data processing system; no data is electronically captured by the scanning process. In the future, the department intends to explore the possibility of enhancing this process to include an electronic data capture system. Referred to as optical character recognition (OCR) this converts scanned or photographed images of typewritten or printed text into machine-encoded/computer-readable text. For the current project, Processing Administration staff would key the information from the scanned documents for page 2 and AZ Form 301.

For 2D barcode and Me-Efile returns, data from page 2 and form 301 would be captured and uploaded into TAS. The data reported on the additional credit forms will be available through the vendor batch viewer. The other remaining data which is not uploaded to TAS but received by 2D barcode and Me-Efile returns will also be made available to OERA.

The IT Division would update the current input screens used by Processing Administration to key the data to be captured. In some instances new input screens may need to be developed. Also some new fields may need to be created in TAS to store the data. IT Staff would need to update and/or develop

new screens for displaying the data. IT would also need to modify the current reports generated by TAS to include the additional information.

C. Quantified Benefits*

<input checked="" type="checkbox"/>	Service enhancement
<input checked="" type="checkbox"/>	Increased revenue
<input checked="" type="checkbox"/>	Cost reduction
<input checked="" type="checkbox"/>	Problem avoidance
<input checked="" type="checkbox"/>	Risk avoidance

Explain: Benefits of capturing individual income tax data from page 2 and AZ Form 301 from the returns would be as follows:

The total benefit to the Audit and OERA teams for increased data capture is an estimated \$2,273,414. The additional data will give Audit the ability to further refine the current Match Merge program and create possible new automated audit programs for areas currently being manually worked. The Audit and OERA benefits can be divided into two categories:

Decreased Costs

With additional data capture, Audit would generate cost savings associated with printing microfilmed copies of tax returns [REDACTED]

[REDACTED] If Individual Income tax return data was available in an electronic format, the microfilmed copies would not be required. [REDACTED]

[REDACTED] This required the printing of the microfilmed returns for the auditors [REDACTED]

On average, over the two fiscal years (FY11 and FY12), 24,690 audits were processed that required the paper return to be printed from microfilm. This is using an estimated 40% paper filed returns for the three major audit programs (based upon tax year 2008 audits issued). With an average cost to print a microfilmed return at approximately \$6.25, by not having to print returns, this works out to a cost savings of \$154,313 per year. The OERA averaged 4,500 printed returns in tax year 2012. Eliminating the need to print those returns would result in cost savings of approximately \$28,125 per year.

If all tax return data was available electronically, then the department as a whole could look at reducing the retention schedules for stored paper tax returns, microfilm and fiche records. This would ultimately result in additional savings to the department. For Individual Income Tax, the Records Management Center currently has over 26,000 boxes that cost the department an average of \$2.50 per box per year or a total of \$65,000 per year.

The total cost savings related to microfilming would be approximately \$247,438 per year.

Increased Revenue

██████████
██████████ According to Audit data, the increase in revenue would be over \$2.09 million. This is detailed as follows:

With more data, audit would achieve further refinements to the audit ██████████ programs, ██████████

██████████
██████████
██████████ If the no change percentage could be reduced to 4% ██████████, this would result in an increase in assessments of 2,250 with associated additional revenue of \$912,000.

IV. Technology Approach

A. Proposed Technology Solution*

The proposed technology solution is to scan the entire individual income tax return and have Processing Administration staff enter the “page two” and “AZ Form 301” information into TAS. This would require IT staff to develop and modify the current input screens for the individual income tax returns. This would also include the addition of various business rules to be identified and programmed into the logic of the data entry system. These rules would either not allow the return to process or make an adjustment to the return and generate a billing. IT staff would also need to develop and modify the display screens in TAS. ADOR would also need to purchase additional SAN storage in the amount of \$20,688.12 with yearly maintenance fees of \$8,472. See attached quote. Storage needs are based on a calculation of 40,000 additional documents to be scanned per year and stored for at least five years. The average document requires 400 kilobytes. The smallest increment of storage that can be purchased from the State’s contracted vendor is 12 terabytes.

In addition to displaying data in TAS, the department would also need to modify the Me-Efile viewer to display images of the returns filed by 2D barcode and modify reports that are currently generated from this information.

B. Technology Environment

Currently, only page 1 and 2 of the individual income tax returns are scanned and only page 1 is entered by Processing Administration and displayed in TAS. AZ Form 301 is not keyed or displayed in TAS.

TAS is an Oracle based application and database located in the State data center that supports individual, withholding, transaction privilege and corporate tax types. TAS is used to process 5.6 million tax documents and facilitates the collection of \$13+ billion in annual tax revenues. This is a very complex application with more than 320 modules of logic, which use over 6,000,000 lines of custom code built by Accenture. It is a web based application that is built with multiple layers of software. Oracle is the primary technology of the TAS application. The application uses supported versions of Oracle 11g database, Oracle 11g Forms, Oracle 11g Reports and Oracle WebLogic application server. This application integrates with the Agency's Remittance, Cashier, Modernized E-File, AZFSET and other applications.

C. Selection Process

The selection process was mandated by the ADOR's Strategic Plan and included an analysis of security risks. Our technology is currently based in Oracle and our primary tax application is a customized solution that is designed for securing taxpayer data.

Under Laws 2014, Chapter 18 HB2703 Sec. 123 – Automation Projects fund; fiscal year 2014-2015; appropriations, "B. The sum of \$1,700,000 is appropriated to the department of administration from the automation projects fund established by section 41-714, Arizona Revised Statutes, in fiscal year 2014-2015 to increase the accuracy and timeliness of reporting income tax credits and to determine the impact of the reduction in **long-term capital gains** subject to income tax, as required by Laws 2012, chapter 343." In addition, A.R.S. § 42-1005 titled "Powers and duties of director" provides that "on or before November 15 of each year issue a written report to the governor and legislature detailing the approximate costs in lost revenue for all state tax expenditures in effect at the time of the report. For the purpose of this paragraph, "tax expenditure" means any tax provision in state law which exempts, in whole or in part, any persons, income goods, services or property from the impact of established taxes including deductions, subtractions, exclusions, exemptions, allowances and **credits**."(emphasis added).

As noted above, the legislature mandated through statute to automate the process and provide an analysis of capital gains and credits in the ADOR's Annual Report.

V. Project Approach

A. Project Schedule*

Project Start Date: 10/1/2014 **Project End Date:** 6/30/2015

B. Project Milestones

Major Milestones	Start Date	Finish Date
Business Requirements (use cases)	10/1/2014	10/31/2014
Initial Discovery	10/1/2014	10/31/2014

Project Charter	10/1/2014	10/31/2014
Technology Architecture	10/1/2014	10/31/2014
Software Development	10/1/2014	10/31/2014
Testing of Software	11/1/2014	11/30/2014
Training of staff	12/1/2014	12/31/2014
User Acceptance - Application	12/1/2014	12/31/2014
Deploy Software to Systems	12/31/2014	12/31/2014
Reporting	1/1/2015	6/30/2015
User Acceptance – Reporting	5/1/2015	5/31/2015
Release Project Resources	6/30/2015	6/30/2015
Project Closeout	6/15/2015	6/30/2015

VI. Roles and Responsibilities

A. Project Roles and Responsibilities

Role	Responsibilities
Business Owner and Sponsor Lynette Nowlan Assistant Director, ADOR Processing Administration Division	<ul style="list-style-type: none"> ▪ Ultimate decision-maker and tie-breaker ▪ Provide project oversight and guidance ▪ Review/approve project elements ▪ Commits department resources ▪ Approves resource allocation strategies, and significant changes to resource allocation ▪ Resolves conflicts and issues ▪ Provides direction to the Analyst ▪ Review deliverables
ADOR Project Manager	<ul style="list-style-type: none"> ▪ Manages projects in accordance to the appropriate methodology or framework ▪ Communicate and coordinate with IT Developers ▪ Manage the project progress of IT Developers ▪ Serves as SME to the sponsor(s) ▪ Receive direction and guidance from the sponsors ▪ Provides regular updates to sponsors ▪ Provide overall project direction ▪ Direct/lead team members toward project objectives ▪ Market projects to agency staff/units
ADOR Audit, Process Administration, Technology Divisions Subject Matter Experts	<ul style="list-style-type: none"> ▪ Complete Assigned Tasks ▪ Lend expertise and guidance as needed ▪ Understand the user needs and business processes of their area ▪ Act as consumer advocate in representing their area ▪ Communicate project goals, status and progress throughout the project to personnel in their area ▪ Review and approve deliverables ▪ Provide knowledge and recommendations ▪ Helps identify and remove barriers

Role	Responsibilities
	<ul style="list-style-type: none"> ▪ Assure quality of deliverables that will meet the project goals and objectives ▪ Identify risks and issues and help in resolutions ▪ Information Security
ADOR Information Technology Divisions	<ul style="list-style-type: none"> ▪ Identify risks and issues and help in resolutions ▪ Equipment Acquisition ▪ Information Security ▪ Requirements Documentation ▪ Work with identified ADOR resources to complete required Hardware and/or Software installation and configuration ▪ Testing ▪ Training

B. Project Manager Certification

- Project Management Professional (PMP) Certified
- State of Arizona Certified
- Project Management Certification not required

C. Full-Time Employee (FTE) Project Hours

Total Full-Time Employee Hours	7,500
Total Full-Time Employee Cost	\$575,000

VII. Risk Matrix, Areas of Impact, Itemized List, PIJ Financials

VIII. Project Approvals

A. Agency CIO Review*

Key Management Information	Yes	No
1. Is this project for a mission-critical application system?		X
2. Is this project referenced in your agency's Strategic IT Plan?	X	
3. Is this project in compliance with all agency and State standards and policies for network, security, platform, software/application, and/or data/information as defined in http://aset.azdoa.gov/security/policies-standards-and-procedures , and applicable to this project? If NO , explain in detail in the "XI. Additional Information" section below.	X	
4. Will this project transmit, store, or process sensitive, confidential or Personally Identifiable Information (PII) data? If YES , in the "XI. Additional Information" section below, describe what security controls are being put in place to protect the data.	X	
5. Is this project in compliance with the Arizona Revised Statutes (A.R.S.) and GRRC rules?	X	
6. Is this project in compliance with the statewide policy regarding the accessibility to equipment and information technology for citizens with disabilities?	X	

B. Project Values*

The following table should be populated with summary information from other sections of the PIJ.

Description	Section	Number or Cost
Assessment Cost (if applicable for Pre-PIJ)	II. PIJ Type - Pre-PIJ Assessment Cost	\$0
Total Development Cost	VII. PIJ Financials tab	\$1,700,000
Total Operational Cost	VII. PIJ Financials tab	\$33,888
Total Project Cost	VII. PIJ Financials tab	\$1,733,888
FTE Hours	VI. Roles and Responsibilities	7,500

C. Agency Approvals*

Contact	Printed Name	Signature	Email and Phone
Project Manager:	Marcy Fleming		
Agency Information Security Officer:	Fawn Medesha		
Agency CIO:	Carole Martin		
Project Sponsor:	Lynette Nowlan		
Agency Director:	David Raber		

- A. Copies of individual income tax returns for 2013 and AZ Form 301**
- B. Costs associated with printing filmed returns for match merge audits**
- C. Summary of individual income tax returns with credits**

X. Glossary

ADOR – Arizona Department of Revenue

TAS - Tax Administration System

2D barcode – two-dimensional barcode which is a machine-readable optical label that contains the individual income tax return information

XI. Additional Information

Links:

[ADOA-ASET Website](#)

[ADOA-ASET Project Investment Justification Information Templates and Contacts](#)

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