# OREGON DEPARTMENT OF REVENUE

## 2018

*Executive summary*

# Re-initiating the Processing Center Modernization Project

January 12, 2018

# Executive summary

The budget report for SB 5535 (2017), the primary budget bill for the Department of Revenue, included the following budget note and instruction:

> *The Department of Revenue, under the Direction of the Department of Administrative Services – Office of the State Chief Information Officer, is directed to re-initiate the Processing Center Modernization Project. The Department of Revenue and Department of Administrative Services – Office of the State Chief Information Officer are to jointly report the status of the project to the Joint Legislative Committee on Information Management and Technology and the Joint Committee on Ways and Means during the Legislative Session in 2018.*

The Oregon Department of Revenue administers more than 30 different types of taxes and fees for the state of Oregon. The department's processing systems capture data from checks, paper tax returns, and correspondence that is then applied to individual and business accounts. In an effort to ensure that we meet these demands moving forward, we've initiated the Processing Center Modernization (PCM) project. The purpose of the PCM project is to replace or upgrade our aging paper return and payment processing systems. Most of these systems have exceeded their expected useful life and are increasingly likely to fail. Failure of these systems could slow or halt the department's ability to process paper tax returns and checks.

This report will address the following information about the project:

- Purpose and background.
- Scope and future state.
- Schedule, current and looking forward.
- Budget.
- Project management activities and oversight.

The PCM project officially kicked off on August 8, 2017. Since the project kick-off a great deal of activity has taken place, including receiving Stage Gate 2 endorsement from the Office of the State Chief Information Officer (OSCIO), issuing a request for proposals (RFP) for the project solution, selecting a solution vendor (Fairfax Imaging), and conducting contract negotiations. To ensure that PCM is kept on track, the project team is actively monitoring the project scope, schedule, and budget.

During the 2017 Legislative Session, we asked for $1.73 million in project funding. The Legislature approved funding for the project in the amount of $1.5 million. The funding received from the Legislature will be sufficient to cover the cost of a system itself, vendor implementation, and third-party quality assurance costs. However, the budgeted funds did not include the cost of the requested business analyst position for the biennium. This position is vital to the success of the project, and the agency has been covering this cost internally.

Current project management activities include regular risk monitoring and mitigation, review of scope, monitoring of quality, budget monitoring, and monitoring resource availability. This information is reported to agency leadership, the PCM Project Team, and agency staff, as

appropriate. The PCM project manager will be providing status reports to our OSCIO analyst on a weekly basis. As part of the OSCIO Stage Gate process, we are in the process of procuring third party quality assurance (QA) services. The QA vendor, Hittner & Associates, has a great deal of experience working with Oregon state government. They will conduct a review of PCM project artifacts, budget information, project health, and potentially testing of the implemented solution.

While the third-party QA vendor is being on boarded and beginning their work, several other project activities will be taking place. Contract negotiations with Fairfax Imaging began the week of December 4, 2017. During contract negotiations, the PCM project team has been developing documents for Stage Gate 3 approval. Stage Gate 3 endorsement must be received prior to execution of a contract. Once Stage Gate 3 endorsement is received the selected vendor will be able to begin implementation and design work in earnest. We expect to sign the contract with Fairfax Imaging and begin work late-January.

In conclusion, the Processing Center has been reliant on manual processes and aging software to process paper tax returns and payments. The failure of these systems poses a substantial risk to the department's ability to bank checks and process paper tax returns. These systems need to be replaced and the PCM project will implement a solution that will meet and exceed our processing system needs through the foreseeable future. A great deal of research and planning have gone into making PCM successful and will continue through the life of the project. Active project monitoring and external oversight are key factors to keeping the project on track.

2018

*Budget note report*

# Re-initiating the Processing Center Modernization Project

January 12, 2018

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# Introduction

The budget report for SB 5535 (2017), the primary budget bill for the Department of Revenue, included the following budget note and instruction:

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## Project purpose

The purpose of this project is to replace or upgrade our aging, and in some cases unsupported, paper return and payment processing systems. The paper returns and payments we process are a key part of Oregon's General Fund revenue stream.

Our processing systems capture data from checks, paper tax returns, and correspondence that is then applied to individual and business accounts. In 2016, we processed more than:

- 1.7 million paper checks.
- 390,000 paper personal income tax returns.
- 21,000 paper corporate tax returns.
- 144,000 paper withholding tax reconciliation forms.
- 95,000 paper tax returns for smaller tax program.

For a more detailed breakdown please refer to Appendix A.3, *Actual Volume of Primary Paper Tax Returns Processed in Calendar Year 2016.*

In 2016, paper checks alone made up more than $3 billion of the funds received by the department. Paper tax return and payment processing are integral to our business and to banking the dollars that support the public services Oregonians rely on. But our paper tax return and payment data capture systems have not evolved to keep pace with the needs of the agency or its other technology investments. Five different systems are used to process paper tax returns and payments. Most of these systems are nearing the end of their useful life and require a lot of manual intervention.

Our current systems are heavily reliant on physical processes. Post office boxes are used to presort documents. However, many items are received at incorrect post office boxes, requiring manual sorting to the correct workflow. Mail from each post office box is opened, sorted by hand, and then moved around the building to various locations to complete processing according to its type. There are more than 400 manual sorts to prepare items for processing during the mail-opening phase of the process. These systems and the necessary physical processes no longer represent industry best practices.

The current paper return and payment processing systems have passed the end of their expected life, and some are no longer supported by their vendors. The tax return processing systems are not compatible with the Windows 7 operating system we currently use. To continue using these systems, we developed a workaround using a Windows XP virtual desktop. This creates security

risks and IT administration difficulties, as Microsoft no longer supports Windows XP.

In addition to the problems associated with the tax return processing systems, there are concerns about the payment processing system. This system employs two Burroughs track scanners that are nearing the end of their useful life. As they have aged, fewer businesses operate this type of scanner, which means they've become increasingly harder to support. Because they are so uncommon, only two technicians in Oregon have the knowledge and ability to service them.

As the systems age, more workarounds are required to keep them operating; making them ever more unstable. Should any of these systems fail, it will slow if not stall the banking of checks and the processing of paper tax returns. Replacement of the return and payment processing systems is a vital reinvestment to ensure we can continue fulfilling our mission.

The goal of the Processing Center Modernization (PCM) project is to implement a single, integrated solution for processing both paper tax returns and payments. This solution will allow us to take advantage of large technical advancements that are the current industry-standard. Advancements such as optical character recognition would allow the processing systems to read and capture information directly from a document, reducing the amount of time to process paper returns and payments.

A modernized processing system will greatly increase the stability of our processing systems and our ability to complete critical tasks. We'll no longer be reliant on outdated systems and vendor goodwill to help them keep systems limping along. Combining our newer scanning equipment with a new system would bring us into alignment with industry best practices for tax return and payment processing.

The new system is intended to be scalable to meet the growing needs of the agency and over time, perhaps the whole state enterprise. Once the system has been successfully implemented to meet our needs, it may potentially be used to capture data and process payments for other agencies. This presents the possibility for the system to become an enterprise service for state agencies, with potential cost savings for the state.

## Background

In 2014, we began the Processing Center Lifecycle (PCL) project to address processing concerns. We issued a competitive request for proposals to replace its paper tax return processing systems, and a contract was awarded to the successful bidder in 2015. Under this contract, two IBML high-speed track scanners were purchased, and the vendor then attempted to replace the return processing software.

However, the project encountered substantial issues and implementation delays. These problems resulted in what consulting firm, bluecrane, referred to as "a crisis situation." System go-live was scheduled for July 2015 to be ready for tax processing season 2016. Due to testing and project management failures, implementation was not completed on time. There was no contingency plan in place for processing paper returns without the new system, resulting in an inability to process the paper returns that had been accumulating.

As soon as it became apparent that the vendor and project staff would not be able to get the systems up and running before the end of the processing season, a response team was formed to manage the situation. To process paper tax returns and payments, they brought the old systems back online and shifted capacity and resources to processing the backlog of paper returns and payments. Ultimately, the software vendor's contract was terminated for convenience.

Agency leadership still strongly believed in the necessity of the project, due to the increasing likelihood that some or all of the aging and unsupported systems and processes would fail. The crisis caused by the PCL project failure was a stark illustration of the widespread and critical impact of our processing systems failing, something that was purely theoretical until that point. A new Processing Center section manager was brought in and a new project team was identified. They were tasked with starting fresh on a new iteration of the project: the Processing Center Modernization (PCM) Project.

We brought bluecrane back to assess where the project went off course. The key breakdowns they identified were in four major areas: governance, communications, scope management, and schedule/workload management. Based on the guidance received, we have and will continue to take steps to ensure this new project is successful. First, a steering committee has been established and a clear communication plan was developed. Second, a new section manager, project manager, business analyst, and project team were brought in. The entire team, including the project manager, are internal to the department and have a strong understanding of the business. Third, we're following the Oregon Office of the State Chief Information Officer (OSCIO) Stage Gate process, including bringing in a third-party quality assurance (QA) firm. Finally, to mitigate the risk of not meeting the implementation timeline, a contingency plan is in place where the legacy systems will be readied in tandem with the new systems during at least the first phase of implementation. By doing this, we can still process paper returns and payments if implementation issues arise.

Failure to act on replacing the existing processing systems would result in continued reliance on aging, unsupported systems and workarounds. The longer we use these outdated systems, the more likely it becomes that they will fail. Without functioning processing systems, paper return processing will be slowed, if not stalled. Other costs related to a failure of the return processing systems are:

- Slowing or halting our ability to bank tax dollars remitted via paper checks.
- Additional personnel costs to bring on more seasonal staff to manually process returns and payments.
- Lost production in revenue producing areas of the department, such as collections or audit, as resources are reallocated to mitigate the effects of the system failure on taxpayers.
- Understaffing in customer service positions such as tax services and collections as resources are reallocated to mitigate the effects of the system failure on taxpayers. During the 2016 processing season, this resulted in an increase in the number of constituent complaints.

# Scope

**Scope:** Broadly speaking, it's to replace the multiple, aging paper tax return and payment processing systems with a single, integrated solution.

**Scope health:** Green

**Measured by:**

- Number of paper forms (this includes tax returns, schedules, and payments) that will be processed by the new processing system. The number of forms currently in scope is 70. For a complete list of the tax returns and payment types in scope please refer to Appendix A.2, *Paper Return and Payment Types in Scope*.
- Number of legacy systems that will be retired once we migrate to the new processing system. The current number of systems in scope to be retired is four.
- Business requirements considered for configuration in the new processing system.

No scope changes or requests have been submitted or approved since the start of the PCM project.

## Number of paper forms

The scope of the PCM project currently includes 70 paper tax return and payment form types. This number does not encompass all forms that the department currently processes. The in scope paper tax returns and forms were selected based on certain criteria:

1. Paper forms that are currently being captured by the department's Processing Center.

2. Overall workload from processing the form. Certain forms or years of forms represent a very small amount of the Processing Center's overall workload, making them impractical to include in the project. An example of this would be old year forms. For personal income tax calendar year 2016, outside the current and most recent four tax years the number of return drops to less than 5 percent of total paper returns. Given the low volume these returns can be keyed directly into GenTax without dramatically increasing the workload for the Processing Center.

3. The general direction the department is taking the form. There are certain forms that are currently being captured by the Processing Center which are being phased out or converted to e-file only. An example of this would be tobacco tax forms. This form is being taken in the direction of uniformity which would include making it e-file only. While it could be included in PCM until uniformity is reached, it would likely add to the cost and timeline of the project.

4. Form specificity to certain department sections. Certain forms are only received in relation to a request by the department relating to an issue with the taxpayer's account. In the case of these forms, they are worked by the requesting section in relation to specific circumstances. These forms do not call for the high volume processing services of PCM.

One major advantage of the Fairfax Quick Modules system is the scalability of design. Should the department decide at a later date to add the forms that do not meet the above criteria it is well within our capabilities to do so.

## Future state

This project will implement Fairfax Imaging's Quick Modules system. This is a commercial, off-the-shelf solution currently in use by 22 other state departments of revenue, eight of which use GenTax as their core system like Oregon. Fairfax Imaging is considered the industry leader in paper tax return and payment imaging and processing systems. Out of four bidders, they were the only one that was able to meet or exceed all 193 of the mandatory and desired requirements listed in the request for proposals. Quick Modules is designed from the ground up for processing paper tax returns and payments. It can be configured to meet our needs rather than relying on costly customization of the software.

This system will greatly change the way we process tax returns. When mail is received, it will be opened and sorted into just a few groupings. After sorting, all paper tax returns and payments will be imaged using the IBML high-speed scanners acquired during PCL. Quick Modules will electronically sort the tax returns and payments based on their tax type and send them to an electronic work queue to finish processing. The paper tax returns will then be moved to a short-term storage location.

Once the tax returns or payments have been electronically routed to a work queue they will go through the system's advanced data capture process. This technology will read the information on the image and then enter it directly into the processing system. Data entry operators will be assigned to various work queues. These employees will verify, complete, and possibly correct the information captured by the system. This process entails the data entry operator looking at an image of the paper tax return or payment and keying the missing information as the system highlights the information on the image. All captured and verified information will be uploaded to GenTax and applied to taxpayer accounts.

Looking beyond just processing tax returns and payments, Quick Modules will allow us to perform all of our own annual system updates. Currently, we pay our software vendors to custom program all the new and updated tax returns into our systems every year. With Quick Modules, all this work can be done by department staff, without the need for custom programing. We will no longer be reliant on our software vendor to provide this service and will no longer be incurring the associated cost.

The tables below show the annual maintenance and season up cost of our legacy systems and hardware, the maintenance costs after PCM including hardware, and a comparison of the totals.

| Current processing systems | |
| --- | --- |
| **System** | **Annual cost** |
| iCapture 4.0 | $64,938 |
| iCapture 3.0 | $11,361 |
| PIT/Corp 2-D | $26,680 |
| TMS | $16,274 |
| IBML scanner | $44,218 |
| Smartsource field scanner | $1,296 |
| Burroughs banking tracks | $41,279 |
| State Data Center costs | $142,757 |
| | **Total: $348,803** |

| Post-PCM (forecasted) | |
| --- | --- |
| **System** | **Annual cost** |
| IBML scanner | $44,218 |
| Smartsource field scanner | $1,296 |
| Quick Modules | $51,353 |
| State Data Center costs | $78,479 |
| | **Total: $175,346** |

**Expected annual maintenance savings: $173,457**

The post PCM totals listed above are not inclusive of department internal IT support staff. We do recognize that there will be a cost associated with this; however, there is not sufficient information at this time to quantify that cost.

Beyond those listed above, there are many other benefits associated with the Quick Modules system, including:

- It will create an integrated workflow where tax returns and associated payments will be processed together.
- Imaging all tax returns and payments creates an electronic audit trail that will reduce the need to retain paper copies, ensuring a higher level of control over taxpayer information.
- Imaging all paper tax returns and payments will also allow us to retain fewer paper files, which will reduce the amount of floor space required for the Processing Center.
- There is the potential in the future to capture more data from paper tax returns than we ever have.
- The system is supported and will be more secure and stable than the current processing systems.

Moving into the future, there will be ongoing systems support and maintenance costs paid to Fairfax Imaging. These support costs are paying primarily for two services:

1. If the system experiences a failure, Fairfax Imaging will return the system to operational within a set amount of time. This ensures we'll be able to keep banking checks and processing paper tax returns should the unexpected occur.

2. For as long as we're paying for support and maintenance, Fairfax Imaging will make certain that we have the most current version of the Quick Modules system. This includes all updates, patches, and upgrades.

## Old systems

Upon completion of the project we will begin decommissioning the old paper return and payment processing systems. These systems include the following programs:

- iCapture 3.0.
- iCapture 4.0.
- PIT 2-D.
- Transaction Management System (TMS).

In addition to decommissioning these systems and their servers, we will also be decommissioning the two Burroughs banking tracks.

# Schedule

**Schedule health:** Yellow

Schedule health is considered yellow at this time because a contract with a third-party quality assurance (QA) vendor has not been executed. Third-party QA services are required prior to Stage Gate 3 approval and primary vendor contract execution.

Recent project activity includes:

- Stage Gate 2 endorsement received from OSCIO.
- RFP evaluations were conducted and a vendor was selected, Fairfax Imaging.
- A proposal was received from QA vendor and has been approved by the PCM steering committee.
- Contract negotiations with Fairfax Imaging began the week of December 4, 2017.

## Project timeline

The diagram below is a high level breakdown of the planned timeline over the entire life of the project, with the project phases separated by color.
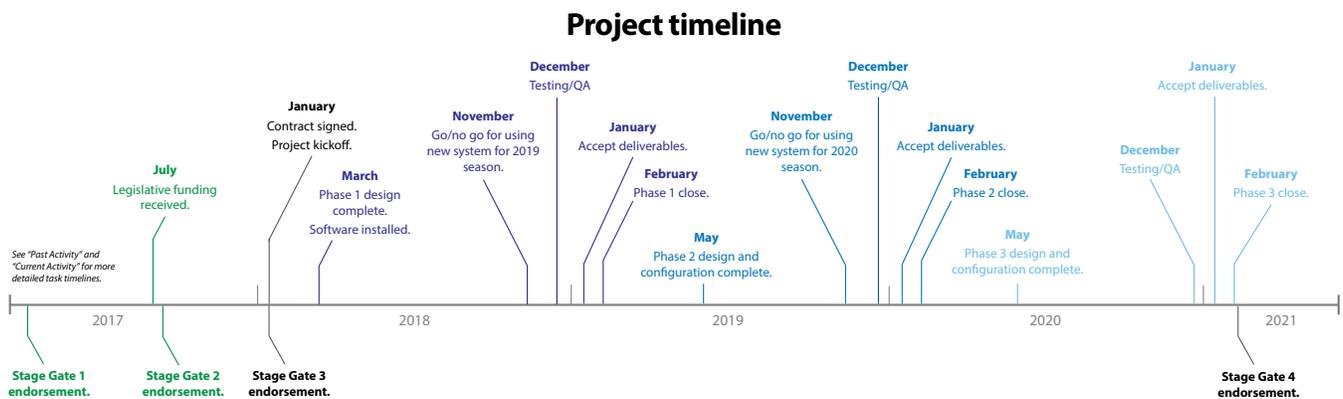
**Project timeline**



## Past activity

A great deal of work has gone into rebooting this project. The following diagram is a high level timeline of project milestones completed through the beginning of November 2017. Many of these milestones are broken down in greater detail below.

**Timeline of completed activities**
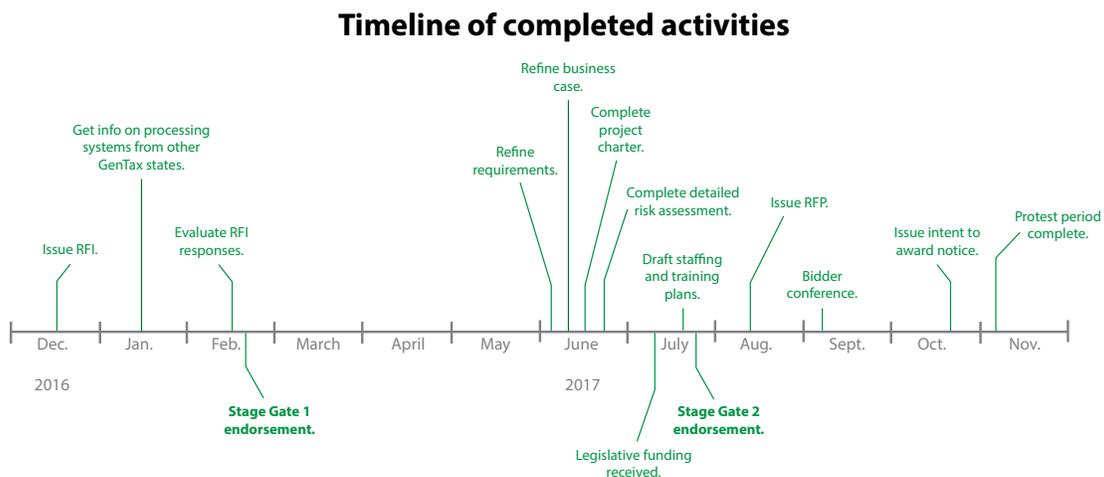
# Requirements development

In the process of developing a complete business case and RFP it was necessary to define the system requirements. We initially reviewed the requirements from PCL and determined that they were not sufficient to ensure the solution met the needs of the department. Because the PCL requirements were poorly defined, they were unable to clearly define the scope of work. This was a component of what bluecrane identified as scope management problems. For PCM we undertook two primary strategies to solicit and define a more complete set of requirements:

- Conducted interviews/workshops with stakeholders and project team members.
- Issued a request for information.

These processes resulted in 193 functional and business requirements, in addition to developing a set of minimum qualifications for bidders.

## *Interviews and workshops*

In September 2016, the PCM business analyst began facilitating workshops with project stakeholders. These were used to initially develop and later refine a base list of requirements that addressed concerns across all sections of the department. With this base set of requirements as a starting point, interviews were held with each of the individual stakeholder groups. These meetings were smaller than the facilitated workshop and lead to deeper discussions concerning each section's specific requirements and concerns. A final set of meetings was held to validate that none of the requirements conflicted, and still addressed the needs of the department as a whole. Many of these requirements were further validated through the request for information.

## *Request for information*

On December 13, 2016, we issued a request for information relating to the replacement of our paper tax return and payment processing systems. This step was not undertaken during PCL. We determined that this was a vital piece of research that would allow us to create a complete picture of available solution. The purpose of the RFI was to gather information concerning total solution cost and the feasibility of system requirements. Eight responses were received and they reflected a wide spectrum of systems that would likely meet our needs. This information provided us with another alternative that had not been originally considered, more cost information, and stronger requirements. The additional cost information gave us the ability to clearly evaluate the feasibility of the project at the best value.

# Massachusetts site visit

In May 2017, we began communicating with the Massachusetts Department of Revenue concerning replacement of their paper tax return and payment processing system. These actions were undertaken in an effort to thoroughly vet our system requirements, refine cost estimates, and benefit from their lessons learned. Massachusetts was selected for the similarity of their systems to Oregon. They operate in GenTax and use the same model of IBML high-speed scanner. In addition to having the same configuration as Oregon, they were in the final phase of implementing Fairfax Imaging's Quick Modules system.

Several teleconferences were held with the Massachusetts project team to gain an understanding of their project. After much discussion, it was decided that we would send

a small team to Massachusetts to see the system in operation. This gave our project team a clear picture of the agency's potential future state with a modern paper return and payment processing system. Seeing the system in operation also allowed us to see what organizational and staffing changes will be needed as the system is implemented. The four biggest lessons learned from this trip were:

- It is recommended to not replace the core system (GenTax) and the paper processing systems at the same time. This was their approach and it resulted in a great deal of difficulty and eventually schedule overruns.
- A dedicated project manager is key to success. They did not have a dedicated project manager for their project. This resulted in a great deal of difficulty communicating with Fairfax. With no clear point of contact and single voice for the agency, Fairfax was receiving mixed messages.
- Training is required at each phase of implementation. They did not include sufficient training requirements in their RFP or contract. They only requested training for their trainers during the first phase. After the first phase they had to rely on themselves for training. This resulted in a great deal of difficulty and they eventually had to modify their contract to add additional training.
- System integration is key. They recommended including requirements that the system have some form of 'handshake' with GenTax. That is to say, when files are sent to GenTax, a file is sent back indicating the number and type of files received. While this is an easy thing to configure in GenTax, it was not something that was included originally with Quick Modules. Initially their system was not able to do this and they had to develop their own process.

This information allowed the department to build a better set of training requirements, and incorporate the 'handshake' into our technical requirements. Based on these lessons learned, Oregon has done the following to position itself for success:

- We're undertaking PCM separately from our implementation of GenTax.
- We have a dedicated internal project manager.
- We included strong training requirements for each phase of the project.
- We included requirements concerning system integration between GenTax and Quick Modules.

## Project team

The initial roster for the PCM Project Team was established July 17, 2017. Since that time, it has gone through several revisions; however, the roles have remained the same. The project team members were selected so that each agency program area that has a stake in the processing of paper tax returns or payments would have a hand in the final product. In addition to the program areas, subject matter experts (SMEs) from each of the operational or support sections were selected.

Having a diverse project team has proven integral to successfully achieving many of the project milestones listed above. Working together, this group has created a robust set of system requirements, representative of all areas affected by the system. Each team member brings a unique perspective on the project to the table, which has also been helpful in developing a well-rounded risk register. This team is one of the many ways we're integrating bluecrane's

findings. We are seeking to avoid the pitfalls of the last project by dividing the workload and empowering team members to communicate to their work units. The table below shows the current project team composition.

| PCM project team | |
|---|---|
| Executive sponsor: Gary Johnson | |
| **Role** | **Area of expertise** |
| Project manager | Project management |
| Business analyst | Business analysis |
| Corporate tax subject matter expert (SME) | Corporation, fiduciary, and estate tax programs form validation and requirements. |
| Processing Center SME | Vendor reproduced forms, payment and return processing, and system requirements. |
| Processing Center SME | Vendor reproduced forms, payment and return processing, and system requirements. |
| Proessing Center operations SME | Processing Center work flows, staffing requirements, reporting requirements, and system requirements. |
| Personal income tax and compliance SME | Personal income tax program form validation and requirements. |
| Communications SME | Forms design, development, and usability requirements. |
| GenTax SME | GenTax system functionality and integration requirements. |
| GenTax SME | GenTax system functionality and integration requirements. |
| IT networking SME | Network design and configuration, system testing, technical requirements, and system administration. |
| IT development SME | System design and configuration, system testing, technical requirements, system administration, and system development. |
| Procurement SME | Procurement and contracting. |
| Banking SME | Banking voucher validation and requirements. |
| Information security SME | System security requirements and testing. |
| Property tax SME | Property tax program form validation and requirements. |

## Stage Gate Two endorsement

PCM received OSCIO Stage Gate 2 endorsement on August 30, 2017. Stage Gate 2 endorsement requires the preparation of a detailed business case and project management documents.

This phase must be completed prior to the release of a formal RFP for the intended solution. This milestone was achieved through a great amount of collaboration between the PCM Project Team and the assigned OSCIO analyst. The results of these efforts were a detailed project management plan, business case, and project charter. The development of these documents was an iterative process. The department partnered with OSCIO and worked together until the documentation reached a level of detail sufficient to capture all necessary information. Equipped with this information, the PCM Project Team was able to commence RFP preparations in unison with the final Stage Gate 2 review and approval.

## RFP

The PCM RFP was issued on August 30, 2017, the same day that Stage Gate 2 endorsement was received. This was possible due to the work of the project team and the assigned Department of Administrative Services (DAS) procurement analyst. This final document was sent to the Department of Justice for legal sufficiency review.

On September 7, 2017 a bidder conference was held. This conference clarified the definitions, evaluation methodology, and procedural components of the RFP and allowed potential bidders to ask questions. A total of seventeen individuals representing nine potential bidders attended either by phone or in person.

The bidder questions phase began immediately after the bidder conference and was open until September 13, 2017. A total of 44 questions were received by the deadline with three more coming in the following week. The PCM Project Team answered all of the questions, including the late arrivals, by September 20, 2017. The answers were posted to the Oregon Procurement Information Network website with the original RFP documentation.

### RFP evaluations

The PCM RFP closed on October 2, 2017. Evaluation of the bidder proposals began the following Friday. The proposals were first reviewed by our DAS procurement analyst to ensure that they met all of the mandatory criteria. The proposals were then reviewed by our evaluation team to determine which best met the business requirements established for the PCM project. The evaluation team was composed of the PCM project business analyst, project manager, and five representatives from the following areas:

- Processing Center Operations.
- Corporation and Estate.
- IT Engineering Services.
- Information Transcription Unit.
- Banking.

The evaluation team selected Fairfax Imaging as the project's solution vendor. The protest period for the intent to award ended November 2, 2017 with no protests.

## Current activity

The following diagram represents the PCM project team's current and very recent activities. The items on the top in black represent contract negotiation and statement of work development activities.
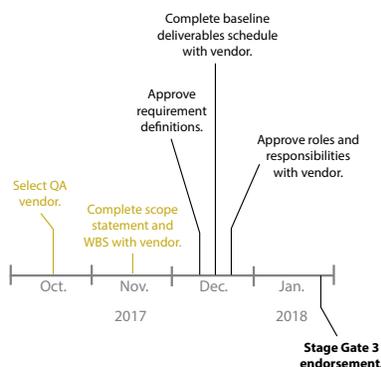
Looking forward, there will be a great amount of project activity over the next few months. The PCM Project Team is working diligently on the current milestones, which are broken down in greater detail below. By late January, we expect to have completed contract negotiations, engaged a third-party QA vendor, and received Stage Gate 3 endorsement. These are the final actions necessary to execute a contract with the selected vendor.

## Third-party quality assurance

As part of the OSCIO Stage Gate process major projects are required to retain third-party QA services. During PCL the project team sought and received an exemption to avoid bringing in a third party QA vendor. Based on the lessons learned from the bluecrane report, we have chosen to embrace third party QA to ensure that the project is a success. The QA vendor will conduct a review of the draft contract, project documentation, project management activities, and potentially independent verification and validation (IV&V) of the chosen solution. They will also conduct regular project risk and health assessments and issue reports addressing their findings. All of the reports will be delivered to statutorily required bodies including OSCIO and LFO.

On July 20, 2017, the PCM Project team reached out to DAS Procurement to begin the process of contracting with a QA vendor. On September 22, 2017, DAS Procurement contacted the project team and they were provided with the project documents the vendor would need. A meeting with the next QA vendor in the rotation was scheduled for October 12, 2017. The QA vendor's proposal was received November 10, 2017. The PCM Project team, DAS Procurement, and OSCIO are working with the vendor to select the services that best fit the PCM project. The QA vendor is expected to begin reviewing the PCM project documents in January.

## Contract negotiations

Contract negotiations with the solution vendor, Fairfax Imaging, began the week of December 4, 2017. During this phase vendor deliverables have been negotiated, the project schedule is being baselined, and roles and responsibilities are being agreed upon. The contract negotiation process has been a collaborative effort between the department, DAS Procurement Services, OSCIO, and the Department of Justice (DOJ). The department's contract negotiation team is composed of our:

- Procurement specialist.
- Processing Center Section manager.
- Deputy CIO.
- Procurement manager.

In addition to the team listed above, the following subject matter experts have been in attendance:

- Procurement analyst, DAS Procurement Services
- Training subject matter expert, Human Resources.
- Project management subject matter expert, PCM project manager.
- Business analysis/solution subject matter expert, PCM business analyst.

We have consulted with DOJ, as necessary, to ensure that the contract as negotiated accurately represented our needs and met legal sufficiency. Contract negotiations are near completion,

pending a minor clarification of Fairfax Imaging's insurance policy.

After negotiations have been completed, but prior to signing the contract, both OSCIO and the third party QA vendor must review the contract statement of work. This document lists the required vendor deliverables, acceptance criteria, timelines, and costs. External review of this documentation was something that was not undertaken during PCL, to the department's detriment. Once the statement of work has been reviewed, we will be ready to submit for Stage Gate 3. Stage Gate 3 endorsement is the last step required to sign the contract.

## Stage Gate 3 endorsement

Stage Gate 3 endorsement requires preparation of detailed project plans and an updated information resource request containing the cost information from the negotiated contract. The detailed plan is expected to be updated once contract negotiations have been completed and as appropriate through the life of the project. Contract execution work cannot be started until Stage Gate 3 endorsement has been received. Current plans expect we will receive Stage Gate 3 endorsement in January 2018, with contract execution taking place shortly thereafter.

## Next steps

## Phase 1

Phase 1 will include paper corporate tax returns and all paper payment types. A project kick-off meeting will be held with the PCM Project Team and the vendor's project team after the contract has been signed. Design of tax return and payment layouts, batch definitions, workflow diagrams, output definitions, and infrastructure requirements will begin immediately. In March 2018, the vendor is expected to deliver their solution for installation on agency systems. System configuration and testing will follow and will be completed no later than November 2018. Phase 1 go-live is currently scheduled for December 2018. Based upon preliminary conversations with Fairfax Imaging, go-live of Phase 1 is likely to occur several months earlier than indicated in the PCM project plan.

The project and testing teams will be holding lessons learned sessions after the completion of each phase. This will be a recap and formal documenting of what went well and what could have gone better that will be used to improve the implementation of subsequent phases. This action is based on what we have learned from the reports provided by bluecrane. We learned a great deal from that report and we will learn more after each phase.

## Phases 2 and 3

Phases 2 and 3 will begin in January of 2019 and 2020, respectively. They are expected to follow the same general pattern established in Phase 1:

1. Design of tax return layouts, batch definitions, workflow diagrams, output definitions, and infrastructure requirements.

2. System configuration and testing.

3. Go live no later than December of each year.

4. Lessons learned sessions held.

Phase 2 will be the largest implementation and will include personal income tax, Lane and

TriMet self-employment tax, and pass through entity tax forms. Phase 2 is expected to be complete February of 2020.

Phase 3 will include the many of the miscellaneous tax programs such as estate/fiduciary tax, timber tax, withholding, property tax deferral program, and correspondence. Phase 3 is expected to be complete February 2021, at which time the system will transition to ongoing operations. A final lessons learned session will be held after completion of Phase 3. This session will focus on lessons learned about the overall project, not just the activities in a given phase.

# Budget

**Budget health:** Yellow

- Budget health is yellow because the requested business analyst position was not included in project funding.
- To date, no project funds have been spent.
- Funding secured will be sufficient to pay for the purchase of the solution, vendor implementation, State Data Center costs, and third-party QA.
- Project budget is still in flux through the contract negotiation process.

During the 2017 Legislative Session, the department requested $1.73 million in project funding. The Legislature approved $1.5 million in funding, composed of $1.38 million General Fund and $120,000 in Other Funds. Based on information provided during the RFI process, this will be sufficient to cover the initial purchase cost of the solution, vendor implementation, State Data Center costs, and third-party QA. The cost of one temporary Operations and Policy Analyst 3 to serve as the project's business analyst was included in the request, but it was not included in the agency's Legislatively Adopted Budget.

## Project cost estimates

Forecasted project costs have been refined through the contract negotiation process. The following table represents the expected costs over the life of the project separated by biennium. The software purchase, vendor implementation, and third party QA costs are all based on the most recent proposed contracts. At this time, we have not incurred any project specific costs, with the exception of business analyst expenses (see below).

| Total expected project costs | | | | | | |
|---|---|---|---|---|---|---|
| Biennium | Software purchase | Vendor implement. | Software Maintenance | Third-party QA | SDC costs | Total |
| 2017–19 | $222,564 | $317,840 | $0 | $147,120 | $117,720 | $805,244 |
| 2019–21 | $0 | $225,475 | $98,262 | $128,730 | $137,340 | $589,807 |
| Totals | $222,564 | $543,315 | $98,262 | $275,850 | $255,060 | $1,395,051 |

## Ongoing maintenance costs

Upon completion of the project, the Quick Modules system will transition to ongoing operations. Part of standard ongoing operations is system support and maintenance. The cost for support and maintenance during the life of the project has been included in the table above. However, support and maintenance beyond that time will become an annual operating expense for the processing center. Based on current contract negotiations, the cost of maintenance for the two years beyond the end of the project will be $51,353 and $52,893. After the end of the contract a new maintenance contract would be agreed upon with Fairfax Imaging.

With Fairfax Imaging, the maintenance cost includes not only system support, but also all

updates, patches, and upgrades. This means that as long as the department is paying annual support and maintenance costs, they will have the most recent version of Quick Modules available. This should prevent us from again finding ourselves in our current position of relying on outdated, unsupported software.

# Business analyst funding

Funding for the temporary business analyst position was requested in the initial project funding request and included in the PCM fiscal impact statement. However, the approved project funding did not include this position. The cost is currently being borne internally by the department. Lack of funding for this position is recognized as a project risk, putting the budget status into the yellow. The cost of the business analyst position from August 28, 2016 – November 30, 2017 was $74,716.33.

The business analyst is integral to the success of this project. Over the remainder of the project, this position will be responsible for:

**Procurement**

- Providing solution-related technical knowledge during contract negotiations.
- Execution (design)
- Reviewing the solution documents provided by the vendor.
- Working closely with the solution vendor and system architects to ensure requirements are clear.
- Assist the project manager in keeping stakeholders engaged and reassuring them that their requirements are implemented as specified in the business requirements artifacts.
- Managing the changes to requirements both from the business and vendor point-of-view through a change control process.
- Maintaining the requirements traceability matrix.

**Execution (testing)**

- Assist with the creation and review of test scripts to ensure all functional requirements are being tested.
- Assist with issue prioritization.
- Communicate with third-party QA vendor concerning requirements traceability.
- Report to project manager concerning testing team, QA status, and vendor fulfillment of requirements.

**Execution (training)**

- Coordinate vendor training for staff.
- Observe vendor training of staff.
- Sign off on vendor training of staff.

**Closing**

- Review user acceptance test results.
- Check that all project milestones have been completed.
- Make sure training was successfully completed.

- Conduct and document lessons learned sessions.
- Make sure all appropriate deliverables, user acceptance tests, and project sign-offs are in place.

# Project management activities

One of the key failures that bluecrane pointed out was weak project governance. Their report indicated the project manager's role and authority were not clearly defined. To address this previous failure, the PCM project has a dedicated internal project manager with a good understanding of the business of the department and clear lines of authority. The PCM project management plan clearly defines the role, responsibilities, and authority of the project manager. In addition, we require a project manager be assigned on the vendor side of the project.

Project team members are loosely matrixed by functional area and allocated away from their regular position by a percentage of their time. The project team will have weekly meetings to address project status and decision-making. A second subset of this team will be a dedicated testing team as the project progresses. In addition to the project team and the testing team, a steering committee has been established to provide strategic direction and change management support. The steering committee charter clearly describes the committee's membership, roles, responsibilities, voting guidelines, and meeting schedule.

## Project risks and mitigation

The project manager has overall responsibility for managing project risk. Team members are assigned specific areas of responsibility for reporting to the project manager. During all phases of the project, risk identification will be a specific topic of discussion. This is intended to clearly demonstrate the importance of and need for risk awareness, identification, documentation, and communication to all team members. Review of the risk register will be a monthly agenda item for the PCM team meetings.

Risk awareness requires that every team member be aware of what constitutes a risk to the project. This creates joint ownership and makes the team more sensitive to specific events that could potentially impact the project. Team members will be actively engaged in risk identification and risk communication. Risk identification consists of determining which risks are likely to affect a project of this nature and recording them. Risk communication entails, bringing risk factors forward to the attention of the project manager and the rest of the team.

It is the project manager's responsibility to assist the project team and other stakeholders with risk identification. The project manager is also responsible for documenting known and identified risks in the risk register. The risk register will be updated as risk factors change and the project advances. At any time during the project, new risk factors or events should be brought to the attention of the project manager. The project manager will review the new risk factors and determine if any of them warrant further evaluation. Those that do will be quantified and the project team will develop a risk response plan.

As project activities are conducted and completed, risk factors and events will be monitored to determine if trigger factors have occurred that would indicate the risk has occurred. Based on trigger factors that have been documented during the risk analysis process, the project team or project manager will have the authority to enact contingency plans as deemed appropriate. Contingency plans, once approved and initiated, will be added to the project work plan and be tracked and reported along with all of the other project activities.

# Top risks and issue

For a complete list of identified project risks please refer to Appendix A.1, PCM risk register. The following are the current top three project risks:

## Risk 1

**Implementation timeline will not be met.** Due to the seasonal nature of tax processing, the solution must be implemented and have completed Phase 1 testing no later than November 2018. If Quick Modules is not up and running by November 30, 2018, it will not be ready to process tax returns during the 2019 processing season.

**Trigger:** Testing of Quick Modules has not been completed by November 30, 2018.

**Mitigation/contingency:** To mitigate the risk of Quick Modules not being implemented in time, the current systems will be brought up in tandem. We are maintaining our contracts with our old vendors to help us bring the systems up if needed. IT staff have been cross-trained to help support the old systems in the event that Quick Modules is not ready. Should the new solution not be ready by the trigger point, all resources will be shifted to preparing the current systems. This will mitigate the impact on taxpayers. Once the current systems are up and processing tax returns, efforts would shift back to PCM.

In the very unlikely event that all of the other options have failed, there is the ability to manually key tax returns into GenTax as a last resort. This is considered a last resort because it is significantly slower and is far more labor-intensive than any of the other options.

## Risk 2

**Loss of project team members.** When team members leave or are reassigned away from the project, there is a loss of acquired information and skills. If the project loses a key team member, it will likely slow progress and may put the project schedule in jeopardy.

**Trigger:** This risk is triggered when the project team is notified that a key staff member has left or will be leaving.

**Mitigation/response:** Several steps are being taken to mitigate the effects of this risk. First, we have empowered team members to share project information and work with their own work areas. Second, team members are encouraged to send proxies to any meeting they are unable to attend. Last, we are working with agency Information Technology Services to maintain all project documentation in a central location within a collaboration tool. All of these steps will allow team members to freely share information within their own areas. This will ensure that each represented area of the agency will have staff to replace a team member, should they leave.

## Issue 1

**Federal tax reform.** Changes to the federal tax structure that were recently passed will likely result in substantial changes to federal and Oregon tax returns. These changes will be effective for tax years 2018 and beyond. The changes will result in the department having to make substantial changes to its tax returns during implementation of phase one. For each phase of the project we will have to implement two significantly different sets of tax returns. One set for the years before 2018 and a different set for 2018 and after. This will increase the amount of

testing that must be completed and could result in schedule overruns.

**Action plan:** The statement of work as written encompasses the fact that large changes from one year of a tax return to another are not uncommon. However, there will be a great deal of work on the agency side to ensure that the forms are ready in time to implement for the next processing season. Based on the preliminary schedule that has been developed, there is cushion in the schedule should the tax return redesign take longer than expected.

The response to this issue will be to prioritize tax return redesign. Our program area staff will work with communications and the processing center to develop the new tax returns. We will collaborate with Fairfax Imaging to find efficiencies in design and ensure that the returns as designed will read within Quick Modules. We will also be bringing in other department staff to PCM team meetings to increase communication and learn from the implementation process of the first sets of tax returns.

## Governance structure

Governance of the PCM project is provided through the executive sponsor and the steering committee, as set out in the steering committee's charter. The steering committee was established based on the feedback from bluecrane identifying lack of governance as a key contributor to the failure of the PCL project. The diagram below shows the overall governance structure of PCM.

**Governance structure diagram**
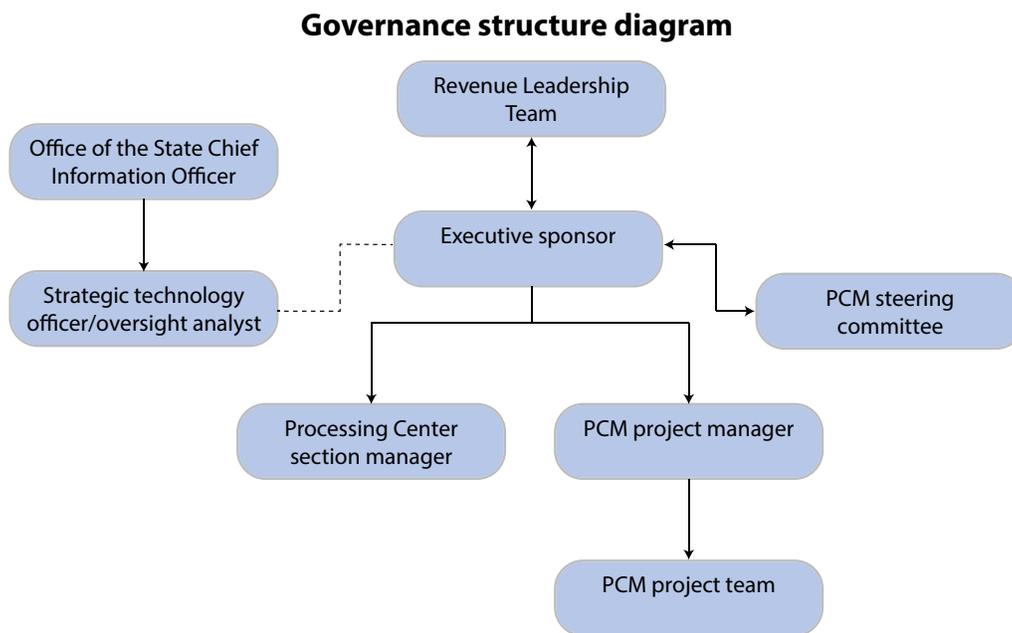


This body is composed of agency leadership drawn from almost every division of the department. The project manager reports to the steering committee monthly on scope, schedule, and budget status. Proposed scope, schedule, or budget changes may be initiated by the project manager, stakeholders, or any member of the project team. All change requests will be submitted to the project manager for evaluation. After reviewing the change request, the project manager will determine whether or not to submit the change request to the executive sponsor and steering committee for acceptance. Once approved by the steering committee, the project manager will update all project documents and communicate the change to all

stakeholders. The executive sponsor is responsible for the acceptance of the final project deliverables and project scope.

The steering committee is composed as follows:

| PCM steering committee | |
|---|---|
| **Member** | **Role** |
| Chief information officer | Executive sponsor |
| Personal Tax and Compliance Division administrator | Voting member |
| Business Division administrator | Voting member |
| Property Tax Division administrator | Voting member |
| Communications Section manager | Voting member |
| Processing Center Section manager | Voting member |
| Project manager | Non-voting member |
| Business analyst | Non-voting member |
| Strategic technology officer | Non-voting member |

## Active monitoring of project health

The PCM project team has made a commitment to reviewing and updating project documentation on set schedules. Most of the project documents will be updated at least once a month. The project schedule and internal status report will be updated weekly. This should provide clear communication of project health to agency leadership and partners providing external oversight.

The regular status reports are considered one of the most important means of communicating project health. The weekly internal status report will be shared as described in the communications plan and will include updates on:

- Scope.
- Schedule.
- Budget.
- Issues and risks.
- Resource availability.
- Quality.

The project manager is responsible for managing and reporting on the project's cost throughout the duration of the project. During steering committee meetings, the project manager will present and review the project's performance for the preceding month. This includes accounting for cost deviations and presenting the executive sponsor with options for getting the project back on budget, should there be any deviations. The executive sponsor has the authority to make changes to the project to bring it back within budget.

## Engagement with OSCIO

OSCIO requires all IT projects over a certain threshold to go through the Stage Gate process. By its very nature, the Stage Gate process entails substantial project oversight. We've embraced this process as a means of ensuring quality outcomes for the project and its resulting solution.

However, it is not being used as, nor is it intended to be, a safety net for project leadership. It is a partnership to assure quality outcomes for the state as a whole.

After Stage Gate 3 approval, project leadership must submit reports to OSCIO based on OSCIO templates, timeframes, and other requirements they deem necessary. In the PCM communications plan, it clearly states that OSCIO is to be provided project status reports at least monthly and more frequently as needed. We will be providing them all of our weekly status reports and will continue to do so. They will also be receiving copies of the third-party QA reports that are provided to the PCM project team. This level of reporting and communication will span the life of the project.

# Conclusion

The Department of Revenue's Processing Center is reliant on aging, unsupported software and hardware. These systems are failing and a solution is needed to prevent interruptions in processing paper tax returns and payments. The Processing Center Modernization (PCM) project will mitigate the risk of system failure and bring us into alignment with industry best practices.

At this time, no project funds have been spent and are not expected to be spent until a QA vendor has been brought onboard. The funding already secured will be sufficient to pay for the purchase of the solution, vendor implementation, State Data Center costs, and third-party QA.

The project team will be actively monitoring the project scope, schedule, budget, risks, and day-to-day project activity. This information will be reported to OSCIO and LFO on a regular basis, along with the third-party QA reports.

A great deal of research and preparation have gone into initiating the PCM project. We have learned from the past attempt at this project and are leveraging the lessons learned to ensure its success. The project team is working closely with OSCIO and DAS Procurement to ensure timely completion of QA activities and contract negotiations. While the QA onboarding process is taking longer than initially expected, there is still sufficient time to begin project execution in early 2018. Completion of these activities will allow the team to begin working with Fairfax Imaging in the active implementation of the project. Expected completion date for Phase 1 is December 2018.

# Appendix A.1
## *PCM Risk Register*

Overall risk is calculated by multiplying probability by impact.
Overall risk level of 15 or higher = Red
Overall risk level of 10 through 14 = Orange

| Risk Name | Risk Detail | Probability | Impact | Overall Risk Level | Risk Indicator/Trigger | Response or Mitigation Strategy |
|---|---|---|---|---|---|---|
| Implementation Timeline Will Not Be Met | Due to the seasonal nature of tax return processing the solution must be implemented and have completed testing in the production environment no later than November 2018 for phase one of the project. If PCM is not up and running by December of 2018 it will not be ready to be used during the calendar year 2019 processing season. This will result in having to manually key the returns into GenTax. | 3 | 5 | 15 | The contingency plan for this risk will be prepared and ready to implement regardless of any triggering factors. The contingency will go completely into effect if the solution is not ready November 30, 2018. | To mitigate the risk of the system not meeting the necessary deadline the current systems (iCapture 3.0 and 4.0) will be brought up in unison with the project. There will be certain go/no go points in this contingency plan that will coincide with certain points in the PCM project schedule. The contingency plan is broken down in greater detail in the attached document "PCM Season Up Contingency Plan." Additionally, the project vendor intends to work with DOR to create a comprehensive project timeline with frequent baseline reviews. |
| Loss of Project Team Members | Given that PCM does not have a dedicated project team, the loss of a team member will have a large impact. If a key staff member leaves they will take with them a great deal of information, putting the project at risk. If the project loses a key team member, it will likely slow progress and put the project schedule in jeopardy. | 3 | 4 | 12 | The risk is triggered when the project team is notified that a key staff member has left or will be leaving. | To mitigate this risk several steps are being taken. First, We have empowered our team members to communicate project information and share work with their own units. Second, team members are encouraged to send proxies in their place in the event they are unable to attend meetings. Last, we are working with Agency Information Technology Services to move all of the project documentation to a central location, preferably within some form of collaboration tool. This will allow team members to readily share documentation with their own teams. |
| Shortage of Internal GenTax Support Staff to Assist With the Integration of PCM and GenTax | There are only six developers on the internal GenTax support team to assist in the integration of the PCM solution and GenTax. Their primary responsibility is production support. As a result, PCM will be seen as a secondary duty. This increases the likelihood that these resources will be divided during implementation. This resource conflict could result in extended project timeline waiting for staffing availability. | 3 | 4 | 12 | The primary indicator of this risk will be frequent substantial scheduling conflicts between PCM and the GenTax production support team. | It is our intention to have ensured our mitigation strategy prior to the trigger date of this risk. The mitigation strategy for this risk is tied into the PCM solution requirements. Requirement 1-1-1 reads, "Vendor shall have previously implemented their proposed solution for tax return and remittance processing in at least two other states that operate on a GenTax core system and employ IBML scanners." This will ensure that the vendor has experience integrating their solution with GenTax. |
| Scanning Equipment is Not Able to Keep Up With Processing Demands | There is the possibility that the IBML scanners are not able to keep up with the volume of returns and payments that are received during peak processing season. This would result in needing to prioritize certain work and could put the processing center behind on return processing. | 3 | 4 | 12 | Significant backlog of un-scanned documents begins to accumulate. | Calculations indicate that the IBML scanners will be able to keep up with the current level of paper documentation. However, during certain time period's management may determine that they need to operate both scanners, or staff the scanners longer hours than they have previously operated. |
| During the Season Up Process We Will be Splitting Resources Between GenTax, iCapture, and PCM | The same pool of IT and program resources will be drawn upon during the season up process and PCM. This will result in having to shift priority from one system or another to meet the preparation demands. This could result in schedule overrun. To attempt giving all systems will likely require staff to work overtime, leading to cost overruns. | 3 | 4 | 12 | This risk will be triggered at the beginning of the season up process for the 2019 processing season; approximately July 2018. | The primary mitigation strategy for this risk will be based on agency priorities and communication. PCM project leadership must clearly communicate the project needs to Agency leadership and the Agency Governance Committee. Those groups will then prioritize what work is most critical to the agency. The resources will be allocated based on this prioritization. Additionally, the scheduling for PCM is being crafted in such a way as to flex around the needs of the Agency during the season up process. |

| | | | | | | |
|---|---|---|---|---|---|---|
| Failure to Fund Business Analyst Position | The PCM Business Analyst has been deemed integral to the success of the project. This position is not a permanent position and it did not receive funding during the 2017 legislative session. If this position is not funded it will either put the budget at risk, or if it is eliminated it will put the schedule at risk. | 4 | 3 | 12 | The legislature does not fund the temporary position in the 2018 legislative short session. | At this point the primary mitigation strategy is to attempt to fund the position internally through cost savings and funding from other Agency Divisions. |
| Transitory Decline In Production Shortly After Roll Out of Phase 1 | Implementation of a new system will likely result in an initial decline in production as Agency staff become familiar with the new system and how it operates. Lower production rates could require more staffing or more hours for current staffing levels. | 5 | 2 | 10 | This risk will be triggered if after rollout of phase one, production drops below historical production levels. | The mitigation strategy for this risk will be to ensure that Agency staff are very familiar with the system and have received sufficient training to effectively perform their job duties. Requirements 12-1-1 through 12-5-1 are all dedicated to ensuring that Agency staff receive adequate training. |
| PCM Does Not Receive Funding in Future Legislative Sessions | If the state is facing a budget gap larger than the one faced during the 2017 legislative session there is the possibility that they will choose not to fund the remainder of the project. This will result in the termination of the project prior to completion. | 2 | 5 | 10 | The risk would be triggered if the preliminary budget reports for the 2019 - 2021 biennium indicate a greater budget gap than was experienced during the 2017 legislative session. | The mitigation strategy for this will be centered on ensuring that the legislature clearly understands the importance of this project. This will be a continuous process of communication with the Joint Ways & Means Committee, LFO, and OSCIO. |

# Appendix A.2

## *Paper Tax Return and Payment Types in Scope*

| Tax Return and Payment Types Within Scope | |
|---|---|
| **Personal Income Tax Return** | **Estate** |
| OR-10 (2018 - 2019) | OR-706 (2019 - 2020) |
| OR-18/OR-WC (2018 - 2019) | OR-706-R (2019 - 2020) |
| OR-19 (2018 - 2019) | OR-706-DISC (2019 - 2020) |
| Affidavit for a Nonresident Owner in a Pass-Through Entity | Request for Discharge from Personal Liability for Oregon Inheritance Tax |
| OR-40 (2018 - 2019) | Schedule OR-NRC (2019 - 2020) |
| OR-40-N (2018 - 2019) | OR-NRC-CERT (2019-2020) |
| OR-40-P (2018 - 2019) | Schedule OR-OSMP (2019 - 2020) |
| OR-65 (2018 - 2019) | **Fiduciary** |
| OR-OC (2018 - 2019) | OR-41 (2019 - 2020) |
| Schedule OR-529 (2018 - 2019) | Schedule OR-ASC-FID (2019 - 2020) |
| Schedule OR-ADD-DEP (2018 - 2019) | Schedule OR-SCH-P (2019 - 2020) |
| Schedule OR-ASC (2018 - 2019) | OR-DECD-TAX (2019 - 2020) |
| Schedule OR-ASC-NP (2018 - 2019) | Federal Form 1041 (2019 - 2020) |
| Schedule OR-DONATE (2018 - 2019) | Federal Schedule B (2019 - 2020) |
| Schedule OR-WFHDC (2018 - 2019) | **Combined Payroll** |
| Schedule OR-WFHDC-NP (2018 - 2019) | OR-WR (2016 - 2018) |
| Federal Form 1040  (2018 - 2019) | Form WA (2019-2020) |
| Federal Form 1040A (2018 - 2019) | **Payments** |
| Federal Form 1040EZ (2018 - 2019) | OR-18-V |
| Federal Form 1040NR (2018 - 2019) | OR-19-V |
| Federal Form 1040NR-EZ (2018 - 2019) | OR-20-V |
| W-2 Forms (2018 - 2019) | OR-40-V |
| **Tri-Met & Lane Self Employment Tax** | OR-41-V |
| OR-TM  (2018 - 2019) | OR-65-V |
| OR-TSE-AP  (2018 - 2019) | OR-706-V |
| OR-LTD  (2018 - 2019) | OR-706-R-V |
| **Corporate Excise and Income Tax** | OR-LTD-V |
| OR-20 (2018) | OR-OC-V |
| OR-20-INC (2016 - 2018) | OR-OTC |
| OR-20-S (2016 - 2018) | OR-TM-V |
| OR-20-INS  (2016 - 2018) | **Miscellaneous Forms and Tax Programs** |
| OR-37 (2016 - 2018) | Form 201 Forest Productions Harvest Tax  (2019 - 2020) |
| Schedule OR-AF (include on each primary) (2016 - 2018) | Form 390 Small Trackt Forest Land Severance Tax Western (2019 - 2020) |
| Schedule OR-AP (2016 - 2018) | Form 391 Small Tract Forest Land Severance Tax Eastern (2019 - 2020) |
| Schedule OR-ASC-CORP (2016 - 2018) | Timber Tax Request to File |
| Schedule OR-DEPR (2016-2018) | Property Tax Deferral Application |
| Schedule OR-DRD (2016 - 2018) | Property Tax Deferral Recertification |
| Federal Form 1120 (2016 - 2018) | |
| Federal Form 1120-S (2016 - 2018) | |

# Appendix A.3

## *Actual Volume of Primary Paper Tax Returns Processed in Calendar Year 2016*

| Primary Return Type | Paper Return Volume |
|---|---|
| **Personal Income Tax Return** | |
| OR-19 (2018 - 2019) | 1,185 |
| OR-40 (2018 - 2019) | 342,875 |
| OR-40-N (2018 - 2019) | 36,888 |
| OR-40-P (2018 - 2019) | 15,008 |
| OR-65 (2018 - 2019) | 18914 |
| OR-OC (2018 - 2019) | 2345 |
| **Tri-Met & Lane Self Employment Tax** | |
| OR-TM (2018 - 2019) | 36,325 |
| OR-LTD (2018 - 2019) | 5,866 |
| **Corporate Excise and Income Tax** | |
| OR-20 (2018) | 9,253 |
| OR-20-INC (2016 - 2018) | 506 |
| OR-20-S (2016 - 2018) | 11,546 |
| OR-20-INS (2016 - 2018) | 640 |
| **Estate** | |
| OR-706 (2019 - 2020) | 2,343 |
| **Fiduciary** | |
| OR-41 (2019 - 2020) | 22,799 |
| **Combined Payroll** | |
| OR-WR (2016 - 2018) | 144,927 |
| Form WA (2019-2020) | 2,896 |
| **Miscellaneous Forms and Tax Programs** | |
| Form 201 Forest Productions Harvest Tax (2019 - 2020) | 3,671 |
| Property Tax Deferral Application | 545 |
| Property Tax Deferral Recertification | 2588 |

# Appendix A.4
## *PCM Issue Log*

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Issue Register | | | | | | | | | |
| Unique Identifier | Description of Issue | Underlying Problem or Cause | Action Plan | Priority | Owner | Date Opened | Status | Date Resolved | Resolution |
| 1-8-1 | No Executive Sponsor. This puts the project in a position where there is no executive leadership. | The Execitive Sponsor for the project announced that they would be leaving DOR. | Agency leadership is currently in the process of selecting a replacement sponsor. At the Steering Committee meeting on 11/29/2017 a new sponsor will be appointed. The selected candidate will have a working knowledge of the project and IT projects in general. | 0 | Chris Wytoski | 11/17/2017 | Closed | 11/29/2017 | CIO Gary Johnson was appointed to the role of Executive Sponsor. |
| 6-4-1 | ITU Manager has taken a new position outside the Processing Center. | The former manager of the Information Transcription Unit is the leading subject matter expert for the matters of return keying workflows, data entry design, and form volumes/prioritization. Loosing this team member will weaken the project during initial phases while the new manager comes up to speed. | We will continue to include the former ITU manager and continue to solicit their expertise through the initial design sessions and the first implementation. This will be in addition to including the new manager of ITU. After the initial design phases we will reassess the situation. By this time the new manager should be up to speed and able to take over the role completely. | 3 | Talon Wood | 12/5/2017 | Open | | |
| 1-10-1 | Changes to the federal tax structure currently being proposed will likely result in substantial changes to both federal and Oregon tax returns for tax year 2018 and beyond. This will result in the agency having to substantially redesign its forms during implementation of phase one. The result of which would be several years of forms that follow the old pattern and then entirely different form for later years. | Changes that have been made to the federal tax structure will result in changes to the Oregon tax structure and forms. | The statement of work as written encompasses the fact that large changes from one year of a tax return to another are not uncommon. However, there will be a great deal of work on the agency side to ensure that the forms are ready in time to implement for the next processing season. Based on the preliminary schedule that has been developed, there is cushion in the schedule should the tax return redesign take longer than expected.<br><br>The response to this issue will be to prioritize tax return redesign. Our program area staff will work with communications and the processing center to develop the new tax returns. We will collaborate with Fairfax Imaging to find efficiencies in design and ensure that the returns as designed will read within Quick Modules. We will also be bringing in other department staff to PCM team meetings to increase communication and learn from the implementation process of the first sets of tax returns. | 4 | Chris Wytoski | 12/19/2017 | Open | | |