



# Trends in managed services in tax administration

This issue paper reviews the findings of a joint survey by CGI and the Federation of Tax Administrators asking senior tax administration information technology managers about their current and planned use of managed services.

**Tim Blevins**  
Chief Technology Officer  
CGI Tax, Revenue and Collections Center of Excellence

## Introduction

*Public sector organizations supporting tax administration have been successfully using managed services for many years. New delivery options, shortages in support services, and other technology support needs will continue to drive these agencies to use third-party resources to achieve their missions. This issue paper describes the current and planned use of managed services as key business enablers for tax administration agencies.*

### ABOUT THE SURVEY

CGI and the Federation of Tax Administrators conducted a detailed electronic survey of senior IT managers in tax and revenue agencies across the United States. The survey included 24 questions about managed services and cloud computing. Twenty-one agencies responded, and the preliminary results were presented at the FTA Technology Conference in August 2012. Additional results were collected through early 2013. Following is a summary of findings accompanied by CGI analysis and recommendations.

### KEY FINDINGS

The survey findings provide significant insight into how responding agencies currently use, and are planning to use, managed and cloud services. A summary of the findings, which are detailed in this paper, include:

- A combination of support models are used for IT support and management
- Agencies have used managed services for years and expect to expand their use in the future
- Some agencies are only now being asked to move forward with managed services in areas where other agencies have been successful
- Managed services effectively address key operational issues such as the inability to retain critical resources and the need to improve Return on Investment (ROI), reduce risks, and increase options for business processes
- When the quality of managed services is measured, the effectiveness rating is high
- Care should be taken to address all primary concerns in the managed services agreement
- Managed services agreements afford significant improvement opportunities in such areas as disaster recovery and continuity of operations
- Federal procurement reform may have implications for state government procurement
- States and the federal government are building and using cloud Infrastructures

Survey responses also indicate that for managed services to be highly effective, the following criteria must be evaluated and addressed:

- Service Level Agreement metrics
- Benefits produced
- Cost
- Flexibility
- Responsiveness

## Summary of responses

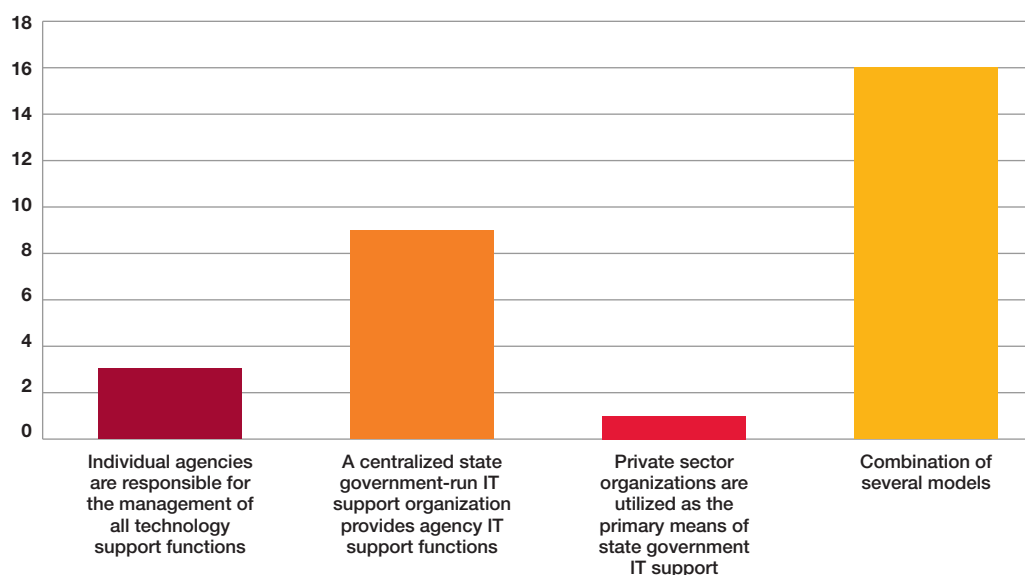
### HOW DO TAX AND REVENUE AGENCIES MANAGE IT INFRASTRUCTURE TODAY?

Survey responses strongly indicated that agencies are using a combination of models to address IT infrastructure management for tax administration. The different approaches are:

- Individual agencies responsible for the management of all technology support functions
- A centralized, government-run IT support organization providing agency IT support functions
- A private sector organization providing the primary means of government IT support
- A combination of these models.

While some agencies only manage applications and desktops, while providing limited network support, others manage and operate their own data centers for internal and online applications while using the central government managed data center for mainframe services. Many respondents reported that they maintain their own application support staffs, while some reported using consolidated IT application and infrastructure support services. Only one respondent said a single private vendor supports the majority of the IT infrastructure.

### How your organization or state manages IT infrastructure



*Analysis:* Given this range of approaches, delivering fully functional and responsive organizational support requires skills in understanding and managing internal IT staff support, other agency provided services and third-party providers. It is also very important to keep in mind the IT support organization's core competencies when making decisions on which support structure to use. Since some support requirements may fall outside of in-house capabilities, it should be noted that each time a new support structure is to be created or rebuilt, it will be at the cost of supporting other mission-critical support requirements and new business opportunities.

### CGI managed services best practices

- The overall relationship is structured to meet the client's specific business goals.
- The client retains control of strategic decision-making.
- The partnership approach promotes continuous improvement.
- The agreement has built-in flexibility to meet both current and future needs.
- The client benefits from a personalized combination of services, delivered with the highest degree of quality and industry expertise.

**“Does the function fall within our core mission or capabilities? If not, we are likely to consider managed services.”**

*Survey Respondent*

### WHY ARE IT MANAGED SERVICES BEING USED?

Survey respondents indicated they use managed services for several reasons, including:

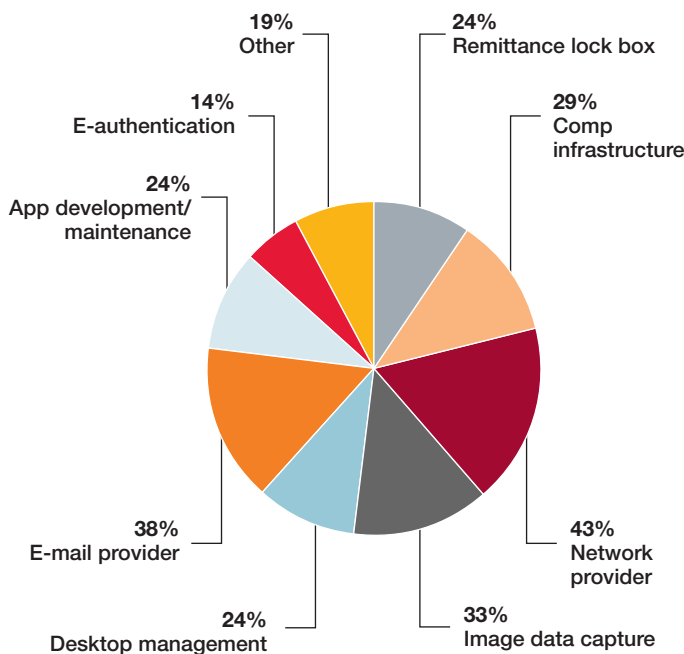
- Mitigate inability to retain critical resources
- Improve ROI for the government
- Reduce risk
- Increase options for business processes

*Analysis:* Surprisingly, respondents did not indicate “time to deliver” new technologies as a consideration, since this is one of the proven benefits of IT managed services. Federal agencies have repeatedly demonstrated the benefit of time savings in both managed services and cloud computing implementations. In a managed service engagement, new business processes and support systems can be implemented in just months, compared to years in a traditional large system implementation. In addition, applications and third-party software, along with the underlying technical architecture, can be kept current throughout the life of a managed services agreement, further reducing the problem of technology obsolescence which can occur in a multi-year implementation project.

### WHAT TYPES OF MANAGED SERVICES ARE BEING USED?

When asked what types of managed services are being used today, the following services were identified:

#### IT managed services currently used

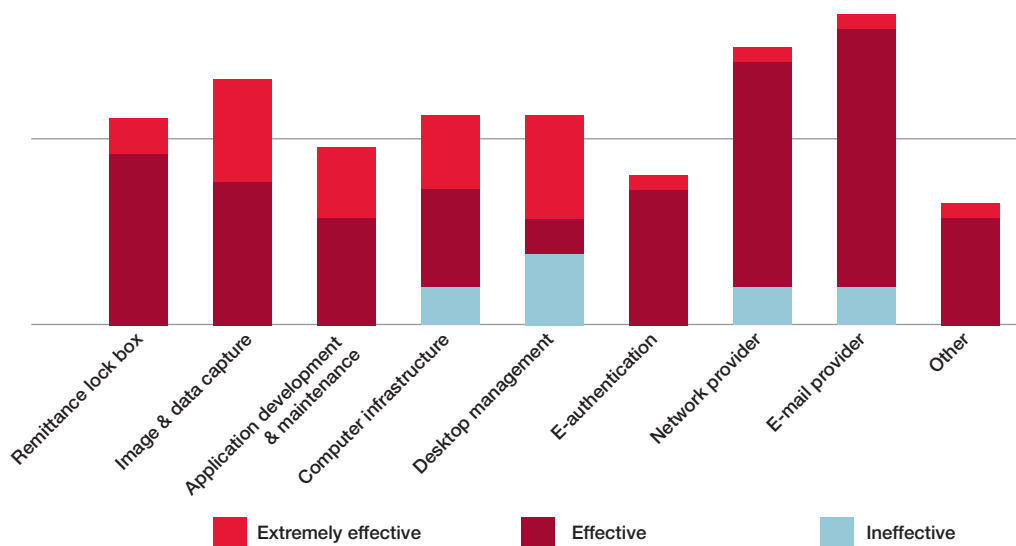


*Analysis:* The respondents noted many managed services that already have significant penetration in tax administrations today. In fact, IT managed services are a critical and integrated part of current IT support functions for tax and revenue agencies. These current managed services cross a wide range of functionality in today’s tax administration agencies from front end data and image capture to back end system support and maintenance.

## HOW EFFECTIVE ARE THEY?

Survey results indicated that of the different types of managed services today, most are rated effective to extremely effective.

### Managed services effectiveness rating



*"I believe the significant change factor will be our inability to compete on the Human Resources side. A lack of qualified employees will eventually drive us to contractor based services."*

*Survey Respondent*

**Analysis:** The responses indicate that when managed services are rated for effectiveness they have a high correlation of being rated either effective or extremely effective. Very few of the responses indicated that the managed services offerings are ineffective. Where they are rated ineffective, there is a correlation to infrastructure support, desktop management, network provisioning and e-mail services. It is also important to note that private sector organizations supplying managed services specific to tax and revenue agencies need to understand the unique challenges of the "business of government" and have deep subject matter expertise in tax, revenue and collection operations.

## ARE STATES INITIATING MANAGED SERVICES IN THE NEXT BUDGET CYCLE?

When respondents were asked if they intended to initiate new managed services programs in the next budget cycle, 37% responded "Yes." Another 37% responded "No". However, based on answers to other survey questions, it appears that most respondents either are already using IT managed services or will move forward with this approach in a subsequent budget cycle.

Areas being considered for managed services include:

- Application modernization and replacement
- Centralized security
- Document management
- Help desk ticket tracking
- Geographic Information System
- Human resources job application and hiring
- Property tax
- Sharing hardware with other state agencies—private cloud
- Electronic vaulting
- VoIP
- Enhanced backup, disaster recovery and continuity of operations

**Analysis:** The responses indicate that almost 40% of tax administration agencies are being asked to expand their managed services offerings in this year's budget cycle. The response also indicates that there are significant opportunities for agencies to engage more managed services offerings than are previously in use today. Additionally, the response indicates that many tax administration agencies are looking at managed services offerings already in use by other tax agencies.



**"No, we have not been asked to look at managed services specifically, but are considering them as we replace legacy systems."**

*Survey Respondent*

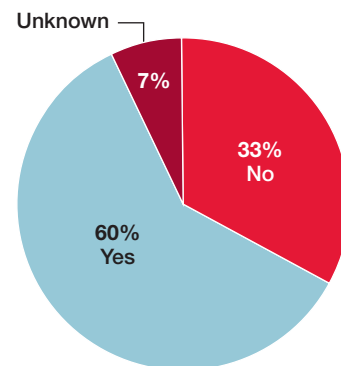
### WHAT IT MANAGED SERVICES ARE BEING CONSIDERED FOR EXPANSION?

Sixty percent of respondents said they are being asked to consider additional IT managed service offerings. Areas for expansion include:

- Network support
- Data center (computing and storage)
- Help desk
- Centralized purchasing
- E-mail

*Analysis:* The overwhelming affirmative response clearly indicates that agencies are being asked to consider additional managed services and believe they can benefit from further managed services engagements to improve their organization's effectiveness.

### Has your agency been asked to consider expanding managed services?



### WHERE ELSE CAN MANAGED SERVICES IMPROVE EFFECTIVENESS?

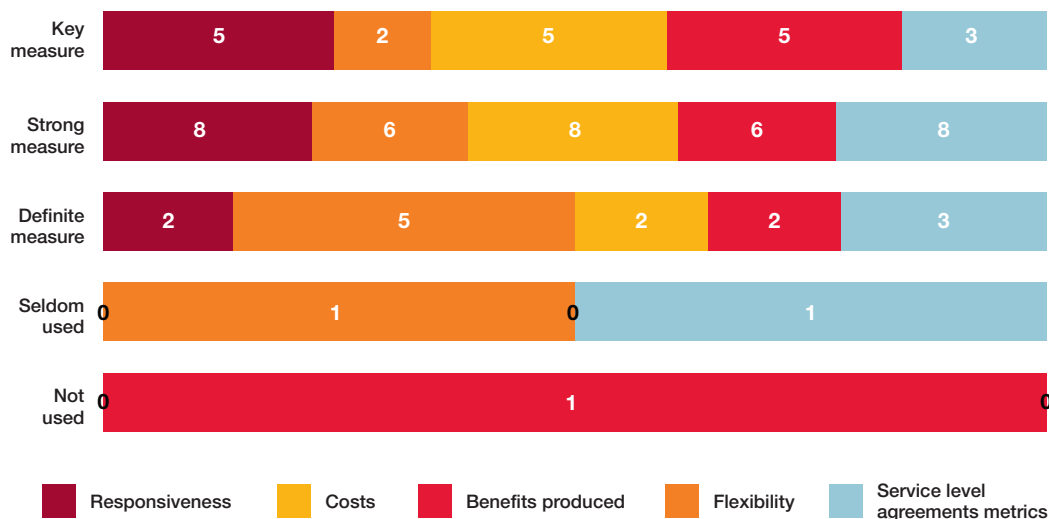
The survey also asked respondents to select potential managed services opportunities from an extensive list. Respondents indicated that additional managed services engagements could significantly improve their organization's effectiveness in the following areas:

- Modernized electronic filing
- Temporary onboarding of a minimal number of Integrated Tax System (specific) technical resources while working on a path to self sufficiency
- Common support services such as:
  - E-mail
  - Help desk ticket tracking
  - Document management
  - Human resources
- Third-party collections applications management outsourcing
- Self-enrolled payment plans for delinquent taxpayers
- SST rates and boundaries database
- Third-party IFTA international fuel tax agreement and motor fuel tracking systems
- Third-party IT infrastructure security testing and certification
- Third-party electronic vaulting of data
- VoIP services to replace existing telephone and PBX systems
- Further consolidation of infrastructure support, particularly related to disaster recovery

*Analysis:* Alignment of critical business functions with the related IT management support functions, along with the strategies employed to support those business needs, proved to be a significant area of improvement. A number of other tax and collections managed services areas were also identified to enhance the overall IT support organization's effectiveness, including: imaging and document management, mail services, security and disaster recovery.

## HOW ARE MANAGED SERVICES BEING MEASURED?

When asked how agencies rate the effectiveness of IT managed services, there was a very even distribution of responses across the five criteria of service level agreements metrics, costs, responsiveness, benefits produced, and flexibility.



**Analysis:** Organizations that have been managing these services for some period of time take each criterion into consideration when they engage in a managed services offering. These agencies demonstrate an ability to understand and oversee their managed services expectations, including needs, priorities, and unique business drivers.

## ARE STATES BUILDING OR PLANNING PRIVATE OR PUBLIC CLOUD NETWORKS? DO THEY INTEND TO INTERACT WITH ANOTHER AGENCY USING CLOUD SERVICES IN THE NEXT TWO YEARS?

Almost 60% of respondents indicated they are actively building public and/or private cloud networks. However, only 37% responded “Yes” when asked whether they plan to interact with another agency using cloud services in the next two years.

**Analysis:** The plans for cloud computing do not appear to be aligned with the reality of the market changes already underway. Government agencies at all levels are actively building and sharing cloud-based networks and solutions at an accelerating rate. The true benefits of establishing these secure infrastructures and providing solutions on demand have changed the approach we will see in the modernization of government computing infrastructures for many years in the future. Organizations that understand and embrace this evolution will be the future leaders in government-provided electronic services to citizens and businesses.

### About the author



Tim Blevins is an Executive Consultant in CGI's Tax, Revenue and Collections Center of Excellence. Mr. Blevins is a subject matter expert with more than 35 years of experience in information technology development and management. He served as a CIO in two large state agencies for 16 years including taxation and human services.

Prior to working with CGI, Mr. Blevins worked for the State of Kansas for 31 years and served as the Chief Information Officer for the Kansas Department of Revenue for 11 years.

Mr. Blevins has been with CGI's Tax, Revenue and Collections Center of Excellence for approximately five years and he assists governments in designing and implementing integrated tax systems, collections systems, tax administration improvements, implementing best practices, and improving compliance. During his tenure with CGI, Mr. Blevins has worked with federal, state and provincial agencies to improve their management of collection and tax administration operations.

Mr. Blevins has made numerous presentations to major organizations including the Federation of Tax Administrators (FTA), the Midwestern States Association of Tax Administrators (MSATA), the Western Association of Tax Administrators (WSATA), and many other public sector forums on IT management and best practices.



## Next steps

In a climate marked by constant change and increasing economic and competitive pressures, today's government leaders are using managed services to create shareholder value by moving spending from capital to operational expenditures for more stable, predictable cost management in the delivery of mission-critical business solutions.

IT support organizations often find that 60% to 80% of their resources are consumed simply to support current organizational business processes. This leaves no real capacity to build, test, implement, and support new mission-critical business requirements, many of which have been backlogged for years. It also leaves few resources to modernize aging legacy IT systems that support the organization's most important business processes.

CGI's experienced consultants can help governments assess their current business processes and IT support structures, allowing for better decisions about the use of managed services. Working with CGI, a world-class provider, government organizations are able to expand their capabilities, improve their services, and lower their risks and costs. In addition, their leaders are able to concentrate on areas of mission importance, knowing that the execution of critical activities is in the hands of focused professionals.

CGI has been at the forefront of the evolution of tax and revenue management through numerous successful partnerships with government and commercial organizations. Our solutions and services have helped six states alone to certify over \$2.25 billion in increased revenues. Our creative funding models allow projects to begin when traditional funding approaches may not be an option. The model depends on many factors including willingness to change, the length of the contract, and the needs and preferences of the government. As a pioneer of benefits funding, CGI has partnered with governments on 11 different projects using this option.

We would be pleased to discuss specific ways your organization can take advantage of advanced technologies and best practices to evolve your operations.  
Learn more at [www.cgi.com/tax](http://www.cgi.com/tax).

## ABOUT CGI

---

At CGI, we're in the business of satisfying clients by helping them succeed. Since our founding in 1976, we've operated upon the principles of sharing in clients' challenges and delivering quality services to address them. As the world's fifth largest IT and BPS provider, CGI has a strong base of 69,000+ professionals operating in more than 400 offices worldwide. Through these offices, we offer local partnerships and a balanced blend of global delivery options to ensure clients receive the optimal combination of value and expertise required for their success. We define success by helping our clients achieve superior performance and gain competitive advantage.

---