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# A Blueprint for the Revenue Agency of the Future

WHITE PAPER

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*Revenue agencies can no longer be satisfied with the status quo. To overcome organizational pressures related to cost, efficiency and service – and to take advantage of enhanced technologies and business processes – CGI has developed a blueprint for the future revenue agency. The blueprint provides insight into the innovative concepts that provide the greatest opportunities for success, and assists in prioritizing and selecting future initiatives based upon an agency's particular needs.*

## Turning today's trends into opportunities for dramatic improvement

Over the last 20 years, there has been a clear evolution, enabled by technology advances, of revenue administration solutions. As existing systems became outdated and unable to scale, agencies began implementing modernized solutions. The solutions evolved from custom built and transfer solutions to commercial off-the-shelf (COTS) solutions and now to service-oriented architecture (SOA) solutions.

Over the next few years, further advancements promise to deliver even greater opportunities to improve tax and revenue administration. All revenue agencies are undertaking initiatives to improve efficiency and increase revenue, and whether large or small in scope, as more and better solutions become available, the opportunities for improvement are dramatic.

While each revenue agency is unique, there are three common and core strategic goals:

- Maximizing tax revenues
- Improving constituent services
- Maximizing agency efficiency

Each year, each agency must determine how to continually achieve measurable results toward achieving these goals. Yet agencies often have limited funding for new initiatives and must maximize that funding in the fiscal year for which it is available. This often leads to smaller scope initiatives that provide incremental changes toward accomplishing these results. Balancing the technology, processes and people involved can overload an agency and often, over time, initiatives contradict or duplicate one another.

To overcome these challenges, agencies must keep a sharp eye on the future to ensure their current initiatives will perform and integrate with future technology and initiatives.

To achieve these goals, it is important that agencies truly understand the latest trends in tax and revenue administration and invest correctly in technology. To help agencies do this, CGI has developed a blueprint for the revenue agency of the future. Working with our tax and revenue administration clients and partners around the world, CGI has identified and reviewed many new innovations available in the area of revenue administration.

To shape our blueprint for the future revenue agency, we first analyzed environmental components that will affect agencies. We then identified the innovative concepts that, when implemented, provide the greatest opportunities for change. Finally, applying those innovative concepts, we painted a picture of an improved revenue agency and provided a process for attaining it. Just as agencies will continue to evolve to this vision, CGI will continue to analyze the market and update our blueprint as new technologies, business practices and political changes occur.

While it is challenging for an agency to implement all of the innovations discussed in this guide, the purpose of the blueprint is to assist you in prioritizing and selecting future initiatives based upon your particular needs and resources. The main objective is to provide you with insight into what is available so that your investment decisions are made based upon a holistic enterprise approach.

*To shape a blueprint of the future, it's important to first analyze the environmental issues that will affect revenue agencies. From economic, population and workforce trends to technology and regulatory issues, numerous factors must be considered – and continuously monitored – to understand how to best respond.*

## **Taking the current and future environment into account**

The future revenue agency will be shaped in large part by its environment. Before developing our blueprint for the future revenue agency, CGI first carefully considered several environmental factors that will affect agencies.

- **Economy** - A summary provided by the National Conference of State Legislatures at the 2006 FTA Revenue Estimating and Tax Research Conference states that “state budgets are stable and expected to improve in the near future. However, many states will face longer-term mismatches between revenue and spending growth.” They defined a number of long-term economic pressures, including “heavy reliance on one major tax source, sales tax pressures from a decline in consumption and a heavy decline in housing market trends, slowing personal income growth and volatility of energy-related taxes.”
- **Federal government** - The federal government will affect revenue agencies through their tax reform initiatives, federal mandates and federal funding levels.
- **Population** - While the general population is growing, it is also aging. The landscape is changing as well, with a population shift moving south and west and with the increase in immigration. Each of these factors has an effect on the revenue available for collection by states and policy changes will evolve to deal with them.
- **Private sector competition** - As consumers raise their level of debt and private companies improve their collections operations, revenue agencies will be competing with those private companies for fewer available dollars. In addition, the private sector will continue to offer solutions that raise customer expectations, and revenue agencies will be expected to offer similar solutions
- **Workforce** - Revenue agencies are faced with a number of workforce related factors. The main factor is staff retention and turnover. Baby boomer staff is approaching retirement, while the ability to lure new hires is limited due to competition with the private sector. Agencies also face the challenge of prioritizing staff training to ensure that employees have the skills necessary to perform their jobs with the latest technology.
- **Technology** - The two most powerful benefits that technology will have for revenue agencies are the power of data and the power of tying technology more closely to business. Secure, near real-time data sharing, data warehousing and detailed reporting options provide agencies with more information and intelligent options for serving and collecting from constituents. Tying technology to business implies that the users have more control of their solutions and can more quickly and cost efficiently respond to changes, making process improvements the norm instead of a special initiative. While there are many benefits related to technology, a few challenges have developed. The advancement of web-based technologies has introduced many new ways of doing business, such as more sales taking place over the Web. Tax laws must keep up with technology to ensure agencies do not lose revenue.
- **Regulation** - New regulations are the norm for revenue agencies. They are created to address many of the environmental factors discussed above. Regulation will be implemented in response to economic and population factors, such as additional tax types, mandatory electronic filing requirements and new requirements, such as streamlined sales tax. In addition, regulation also will be implemented to address technology factors, such as statewide technology standards and architectures and federal data security requirements.

*While each revenue agency is unique, there are three core strategic goals common to all: maximize tax revenues, improve constituent services and maximize agency efficiency. The key to innovation is to identify and execute upon the concepts that best enable each one of these goals.*

## **Identifying innovative concepts that will achieve maximum performance**

The key to innovation is the ability to identify differentiating concepts and to use a well defined vision and strategy to execute those concepts. CGI has identified the innovative concepts that support both the desired outcomes for taxpayers and staff and the enablers that will dramatically change how the business of revenue management is conducted, enabling the organization to achieve maximum performance.

These concepts, organized by their associated strategic goal, are driven by changes in business processes, information technology and organizational work setting. Some are existing ideas, while others are fresh ideas derived from our analysis of the future environment.

### ***Improving constituent services***

- E-services are accessible, convenient, transparent, timely and secure
- Tax laws, FAQs and rulings are easily accessible
- Taxpayer services are effectively communicated
- Revenue agencies proactively communicate timely and useful information to taxpayers
- Revenue agencies are customer-centric organizations
- Taxpayer issues and questions are routinely resolved in one contact
- The tax “ecosystem” for the delivery of services includes public and private sector partners
- The integrity of taxpayer data is maintained to avoid misuse and inappropriate access
- Revenue agencies' services are integrated with other e-Government offerings

### ***Maximizing agency efficiency***

- Internal business processes leverage technology to provide for needed insight and to make continual improvements a part of daily operations
- Revenue agencies are the employer of choice in state government with motivated, well-trained staff
- Succession planning is a key human resource activity as the workforce retires
- Enterprise analytics is embedded in business processes throughout the organization
- Security and disclosure breeches are proactively prevented
- Externalized business rules provide a more efficient and cost effective way to implement legislative changes and process improvements
- Service-oriented architectures allow agencies to offer and share services

### ***Maximizing revenues***

- Taxpayers have access to information to meet their tax obligations
- The Taxpayer Bill of Rights is consistently and comprehensively followed
- Taxpayer non-compliance is accurately predicted
- Taxpayer interactions are tailored to a taxpayer's situation to enhance compliance levels
- Compliance programs maximize ROI and net revenue in a way that is fair to both the individual taxpayer and the entire tax public
- Compliance operations enforce existing tax laws and do not create new tax laws

To help agencies achieve their goals of maximizing revenues and efficiencies and improving services, CGI developed a blueprint for the future revenue agency, which identifies innovative concepts that provide the greatest opportunities for change.

### The business process

#### management (BPM)

component of the blueprint influences the ability to achieve every innovative concept. BPM transforms the agency from a functional- to a process-centric organization.

## Providing a blueprint of the future

The CGI Revenue Agency Blueprint incorporates our innovative concepts into an integrated, broad level view of how taxpayers, employees and other stakeholders will experience the new revenue agency.

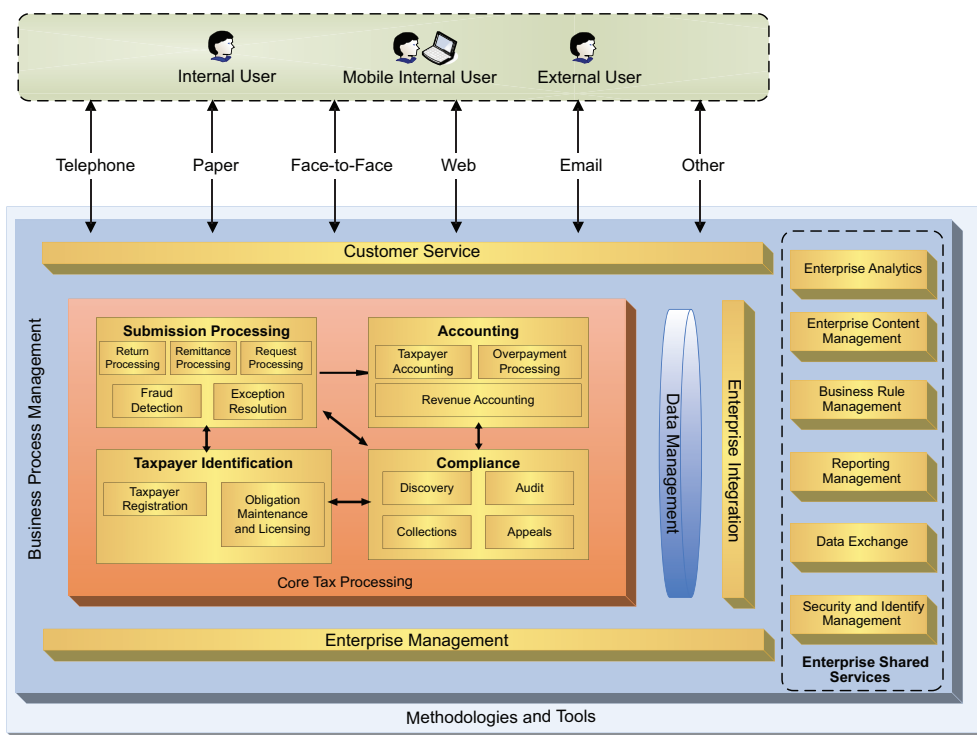


Exhibit 4.1 - Revenue Agency Blueprint

At the center of the blueprint are the core tax processes supported by the revenue agency. The fundamental business of a revenue agency remains unchanged in the future. However, the blueprint highlights other pivotal components that drastically affect how those core tax processes are performed. The following sections first describe those pivotal components and then explain how the core tax processes are affected by them.

### BUSINESS PROCESS MANAGEMENT

An agency's success depends on effectively managing their numerous business processes. The business process management (BPM) component provides this level of agility by leveraging BPM solutions to develop, deploy, monitor and optimize core business processes. BPM includes workflow and case management functions required to support business processes.

BPM is a discipline that transforms the agency from an application (or functional) focus to a more process-centric organization. BPM solutions enable the agency to manage the complete lifecycle of its processes, from process design to implementation, monitoring and optimization, and to change them more frequently to adjust to changing circumstances. Such rapid change is impractical while processes are embedded in conventional applications. BPM enables the agency to abstract process flows and rules from the underlying applications and infrastructure and to change them directly.

*The customer service component of the blueprint covers all types of interactions, allowing taxpayers to interact with the agency through the channel of their choosing, while having a consistent service experience.*

Some of the key benefits of BPM include:

- Efficiency is gained by eliminating manual activities and gaps within process execution.
- Processes can be monitored in near real-time, providing the ability to identify problems within processes at the earliest possible point.
- Changes within processes can be made without having to change the underlying applications providing services.

#### **CUSTOMER SERVICE**

The customer service component is broad in that it covers receiving, managing and responding to inbound, outbound and real-time interactions or contacts, including filing and paying interactions. Taxpayers are provided with sophisticated options for interacting with the agency through multiple channels including paper, fax, email, secure electronic messaging, online chat, visiting a service center or telephone.

##### ***Inbound interactions***

Inbound interaction types include registration, filing, paying, account management, obtaining information and advice and general question resolution. The focus is on self-service, giving taxpayers increased power to manage their tax information.

The focus is not on the channel used, but on the content of the interaction and routing the item in a way best suited to respond. Enterprise analytics is used to analyze information about the content and the taxpayer to automatically process or prioritize and assign the interaction. Information collected about interactions through all channels is tracked to create a comprehensive interaction history. This data provides new power to the agency. The agency has insight into the patterns and behaviors of taxpayers as they interact with the agency and how the agency is performing in resolving questions in the form of taxpayer education.

##### ***Outbound interactions***

Outbound interactions are agency initiated interactions, including those generated automatically or manually as a result of core tax processes or taxpayer inquiries. In addition, just-in-time interaction also is used by the agency. These interactions, which include courtesy reminders and general educational information, promote a customer-centric agency that effectively communicates its taxpayer services.

The customer service component is responsible for the execution of the outbound interaction, while the enterprise content management component supports the centralized creation and use of standardized content. This component also manages returned or rejected interactions such as returned mail, email that cannot be delivered, and time-elapsed unread secure messages. Ideally, to address such returns or rejections, automatic corrections are made. If necessary, manual corrective action is undertaken by employees using centralized data rich facilities and tools.

The customer service component provides the following benefits:

- No “wrong door” access - Taxpayers have their choice of channel to gain secure and convenient access 24/7 to the information and tools they need to comply with tax laws.
- Channel independence - Processing rules, business rules and workflow are defined once and are consistent regardless of channel.

*The **enterprise integration** component demonstrates how the revenue agency of the future has a flexible enterprise application architecture that promotes interoperability, which reduces complexity and allows for a more efficient and cost-effective operating environment.*

- Channel integration - Channels are simply one attribute that define work queues and reports.
- Channel innovation - Customer service is structured so that new channels can be integrated with relative ease.
- Enhanced channel insight - The capture of detailed interaction data provides statistics for understanding and reacting to issues and bottlenecks.

#### **ENTERPRISE INTEGRATION**

The traditional revenue agency architectural design includes monolithic centralized systems on a single server or departmental systems based on a closed local area network. Sharing of information is constrained and the typical integration pattern, if any, is to develop point-to-point interfaces facilitated via the exchange of data files, rather than real-time transactions resulting in the duplication of data or out of sync data. Agencies have to manage a highly complex application infrastructure containing multiple interfaces with minimal reuse and information sharing. Systems that represent a significant investment but are largely fractured and isolated must somehow be brought together into a cohesive enterprise view providing seamless access to all of the agency's processing capabilities.

The revenue agency of the future has a flexible enterprise application architecture that promotes a culture of interoperability. Integration and rapid development of new business offerings will be accomplished through the creation of a service-oriented architecture (SOA). Existing applications will be service enabled and new applications will be SOA enabled, allowing these services to participate in overall business process management not only at the agency level but at the state government level. SOA exploits open standards and technologies. A main component of SOA is the enterprise service bus (ESB). The ESB involves implementing a middle-tier component that is available for use by other middle-tier components without complex message reformatting and protocol conversions.

Benefits of enterprise integration include:

- Loosely coupled open environment of services
- Efficient and cost effective enterprise environment
- Reduced complexity
- Increased reuse

#### **ENTERPRISE SHARED SERVICES**

The concept of enterprise shared services is to standardize and make available a function across an organization regardless of the layers of complexity that exist in the technical architecture. The function may be a business function, shared business services, or a technical function, shared infrastructure services. The enterprise integration component promotes the use of enterprise shared services across the organization.



*The **enterprise shared services** component of the blueprint is the cornerstone of the future revenue agency. These shared services standardize and make available various functions across an organization regardless of the technical architecture and complexity that exists.*

Enterprise shared services are the cornerstone of the future revenue agency. Enterprise shared services are often discussed from a technical perspective; their benefits to business users are often underestimated or not appreciated. The obvious IT benefits for implementing shared services include lower IT costs, increased efficiency, reduced redundancy and consistent control and management.

The less obvious benefits to business users for implementing shared services include:

- Agile business functions that can be changed more rapidly
- Consistent business functions that perform the same across applications
- Superior data that is entered once and viewed across applications
- Enhanced functionality that older applications alone might not be able to provide

Enterprise shared services provide a more simplistic way of performing common functions and provide great power to the organization. The future revenue agency will make use of many shared business and technical services within the agency and statewide. For the context of CGI's blueprint, enterprise shared services include enterprise analytics, enterprise content management, business rule management, reporting management, data exchange, security and identity management.

### **Enterprise analytics**

Analytics is the collection, sharing and use of taxpayer data to benefit the agency and taxpayers. More than any other enterprise shared service, when appropriately implemented, enterprise analytics provides improved program effectiveness across the agency.

Analytics gives the agency the power to be a predictive planner rather than a historical planner. To achieve this, the agency uses analytics as an enabler by considering a lifecycle view of the taxpayer experience.

Analytical models are developed and used in all areas of the agency including discovery, collections, audit planning and selection, business processes and strategic benefit.

Benefits of the enterprise analytics component include:

- Increased voluntary compliance rates
- Maximized resource usage
- Reduced cost
- Increased customer service
- Minimized intrusion

### **Enterprise content management**

In 2005, the Association for Information and Image Management defined enterprise content management (ECM) as follows: "Enterprise Content Management is the technologies used to capture, manage, store, preserve and deliver content and documents related to organizational processes."

ECM is a component meant to include the functions of previously used terms, document management and content management. Revenue agencies are responsible for managing content received from taxpayers, such as applications,

returns and correspondence. They also are responsible for creating and managing content created within the agency, such as web content, forms and instructions, correspondence templates and educational documents. ECM provides the ability to treat all content consistently.

The ECM component, which provides services to the contact management component, supports all content managed by the agency, including content generated inside the agency, imported from outside the agency in both structured and non-structured formats.

Benefits of ECM include:

- Capture and retrieval of content regardless of format
- Document authoring is controlled including check-in and check-out and version control
- Advanced content searching and relevant content ranking
- Secure, flexible content delivery options available based on supported contact channels: portals, email, paper, PDA, EDI, XML
- Improved ability to respond to legal requires for document archiving

### **Business rule management**

Business rules management provides an integrated development and deployment environment for creating and maintaining business rules related to items such as tax policies, procedures, rates and thresholds. The separation of the business rules from the business processes promotes reuse, reduces implementation times and thus cost, elevates decision making to business experts by enabling business users to view and edit rules, and enforces consistency by maintaining a single repository of business rules.

### **Reporting management**

The reporting management component provides report creation and distribution of both operational and intelligence information. The agency has access to current and historical data regardless of source system and format. Report generation tools support multiple report layout options such as dashboards, charts and matrices. They also provide many delivery formats including paper and electronic. The creation of reports is intuitive and quick to provide agency leaders and external stakeholders with up-to-date information, which promotes intelligent decision making and reactions to trends.

### **Data exchange**

Data exchange is the component that supports exchanging data with approved entities. Increased security and flexible, cost-efficient options for data sharing allow agencies to enter into more agreements with government agencies and third parties. Data exchange will be electronic and as close to real-time as feasibly possible. The advent of XML and service-oriented architectures reduces the barriers as security and cultural acceptance improves. Previous formats of data exchange, such as magnetic tapes, CDs and physical documents, will be eliminated. All data will be tracked in a uniform manner and standardized into a common format that is ready to be used throughout the enterprise. The power of more data that is received in a timely manner and is trusted to be accurate is immense.

### *The data management*

*component provides seamless integration of all data from multiple data sources, securely making intuitive information available at the right place, at the right time.*

### *The blueprint's enterprise*

*management component improves the management of numerous internal processes that position the future revenue agency to be an employer of choice.*

## **Security and identity management**

The security and identity management component makes up the security infrastructure of the enterprise. It includes identity management, host and network intrusion, identification, authentication, authorization, access control and auditing. Many of these functions are required by law in order to protect taxpayer data. Security and identity management is also a critical component of maximizing the public's trust. E-services and broader data exchange will only grow and succeed if the agency is protecting taxpayer privacy and maintaining data security. To maintain the public's trust, it is essential to continually refine and implement privacy policies and principles that address capture, use, protection and retention of taxpayer information.

The agency of the future will use industry standards related to data security at all levels of the enterprise and ensure transaction integrity so that information is not subject to interception or tampering during transmission. The agency also will ensure appropriate use of information by employees in an environment where more information will be available than ever before. Browse and action logging capabilities track the information viewed and actions taken by all users, including employees, taxpayers and administrators. Analytical models are utilized to identify potential access problems for review.

## **DATA MANAGEMENT**

Data management provides the infrastructure required to store, retrieve and manage enterprise-wide data. The revenue agency of the future requires interaction not only with databases, but also sophisticated enterprise applications that may each have their own data repository, including enterprise content management solutions. The data management component provides seamless integration of all data from multiple data sources. The data is available for access from other components of the enterprise and redundancy is controlled to every extent possible. To facilitate the increased use of enterprise analytics and trend reporting, a data warehouse is used to centralize and organize the data for these purposes. Data management includes efficient indexes and search algorithms so that end users can locate information intuitively.

## **ENTERPRISE MANAGEMENT**

Enterprise management is comprised of the processes for supporting the organization. This component provides many of the services needed to make the revenue agency of the future the employer of choice. Enabled by and leveraging the enterprise services, the following processes are delivered with improved efficiency and represent the latest innovative offerings.

- Budgeting and payroll - Manages accounts payable and DOR employee payroll, develops DOR budget and provides fiscal reporting services to various stakeholders
- Tax program support - Provides legislative bill analysis and support, the resolution of administrative appeals of proposed assessments and denied claims, and private letter rulings
- Project management - Manages and supports departmental projects, including both technology and business orientated initiatives

### **Methodologies and tools**

*consistently support the evolutionary approach to transformation, providing agencies with a framework that offers a robust, repeatable, reliable and structured approach to projects.*

### **The core tax processing**

*component covers submission processing, taxpayer identification, accounting and compliance. This component enhances agencies' ability to process, record and validate taxpayer information and account for financial transactions.*

- Planning - Coordinates departmental strategic and business planning activities
- Training - Manages the identification of training needs, coordinates the development of training classes, and provides training to departmental staff
- Human resource management - Manages classification and pay policies and practices and oversees hiring and recruitment activities
- Help desk - Provides enterprise support of desktop applications to DOR staff
- Infrastructure - Encompasses the network, hardware and support services

#### **METHODOLOGIES AND TOOLS**

Many revenue agencies are moving from small- and medium-sized application development projects into large, complex projects that involve many employees, contractors and vendors. Agencies need to adopt a framework that provides for a robust, repeatable, reliable and structured approach to projects.

There are three key elements to the methodology and tools component:

1. The software development life cycle (SDLC) provides well defined activities or steps for performing the basic tasks required in developing software, including requirements gathering, design, development, testing and implementation.
2. The project management office (PMO) is a group within the agency that defines and oversees the standards and execution of projects. It maintains metrics and monitors that projects meet expectations in terms of functionality, cost and schedule.
3. A wide variety of tools and techniques that provide the means to realize a SDLC and PMO are available from the basic to the very robust. Agencies need to consider the number of concurrent projects and their complexity when determining the best suite of tools to meet their needs.

There are several benefits to investing in methodologies and tools, including:

- Accurate tracking of the effort and cost associated with initiatives
- Better effort and cost data that produces more credible estimates for future initiatives
- Repeatable processes that employees understand

#### **CORE TAX PROCESSING**

##### **Submission processing**

The submissions processing component covers processing returns, payments and other form-based requests, such as registration applications, abatement and adjustment requests, received from taxpayers. Submissions are received from multiple channels, including paper, agency web applications, electronic transmission and data exchange with other agencies or partners.

Submissions are processed as soon as they are electronically available. Regardless of the channel, each submission is edited and validated against one set of agency-defined business rules for each form type. These rules, which are defined through the business rule management component, ensure that each form is consistently validated. The business rules include a complete taxpayer evaluation to ensure the

form is processed correctly based on any relevant taxpayer statuses, such as pending audits or appeals. The rules also include checks to prevent fraudulent refunds by comparing items to thresholds, prior filing data and data from external sources. The goal is to identify and correct any errors prior to posting financial information.

Updates to demographic information, such as name and address, are performed as part of processing the submission. Payment information received is automatically recorded to track receipt of the funds. If the submission fails validation, it is automatically corrected where possible. If the error cannot be automatically corrected, it is routed for review and correction. The enterprise analytics component is leveraged to route submissions to the appropriate group based on error type, taxpayer complexity or other agency-defined criteria.

Benefits of this approach include:

- Timely processing
- Channel neutral validation with one set of business rule validations
- Holistic evaluation of taxpayer
- Automated corrections whenever possible saving revenue staff time
- The use of enterprise analytics for smart routing of form errors
- Improved fraud detection by integrating enterprise analytics
- Fair and consistent treatment of taxpayers
- Enhanced data collection via the standardization on electronic channels and standard XML formats.

### **Taxpayer identification**

The taxpayer identification component represents the recording of registration and filing requirement information and the maintenance of those filing requirements.

Registration information that passes the submission processing validations is used to create taxpayer demographic profiles and filing obligations in the form of tax accounts. Using key identifiers, checks are performed to ensure the taxpayer is not already recognized by the agency. The agency captures a number of relevant identifiers for a taxpayer to ensure all filing obligations for a specific taxpayer are linked together for a holistic view. Also, during the registration process, the taxpayer is evaluated to determine their risk level so that they can be appropriately treated during future interactions with the agency.

When the registration process is completed, taxpayers are sent registration confirmation, including applicable account numbers and certificates, based on the taxpayer's preferred outbound interaction method. As demographic and filing obligations change, the agency performs automatic renewals and periodically refreshes the taxpayer's information. Additionally, the agency may exchange registration information with approved data exchange sources, such as other state government agencies, in order to supply taxpayers with one source for statewide business registration activities.

The benefits of this approach include:

- Holistic view of taxpayer
- Multiple identifiers
- Data integrity through one source for statewide registration and maintenance

### **Accounting**

The accounting component includes both the management of taxpayer accounts and the management of the agency's accounting, called revenue accounting.

Taxpayer accounting covers the methods used to record, modify and distribute liability and payment/credit information for a taxpayer. Taxpayer accounting functions are performed in multiple ways, including taxpayer self service, online staff actions and receipt of return, payment or assessment information. Based on agency-defined criteria, including thresholds and risk criteria, taxpayers are given the power to perform activities previously only available to internal agency staff, such as making line item adjustments, correcting mis-postings errors, initiating an extension, viewing account history and specifying overpayment distributions. Each time a change is made, a complete history of the transition is recorded.

Whenever a financial change occurs, the filing period is evaluated and the balances and statuses are immediately updated. Additionally, all transactions performed within taxpayer accounting that cause a change in balance within a taxpayer's account triggers a financial transaction in revenue accounting. Financial transactions are translated into double entry accounting transactions. Once evaluated, the next processing step is determined. The agency may define multiple treatment streams for filing periods based on individual taxpayer criteria, such as risk probability or taxpayer obligation profile.

The accounting component relies on processing parameters that are commonly affected by tax law and rate changes, such as tax rates, penalty and interest types and rates, distribution and payment allocation hierarchies and revenue distribution percentages. The revenue agency of the future must be able to quickly respond to these changes. The solutions that support the accounting component provide cost- and time-efficient mechanisms for maintaining this frequently changing information.

Benefits of this approach include:

- Configurable parameters for rates and distributions
- Real-time calculations
- Different process paths for next course of action based on agency-defined criteria
- Full data correction capabilities and history
- Double entry accounting

## Compliance

The compliance component includes audit, discovery, collections and appeals. Audit and discovery encourages and maintains compliance by auditing filed returns in a timely, responsible and fair manner; by identifying and determining the correct tax liability; and by assessing taxpayers who have failed to file. Collections represents the strategies for managing the collection of delinquent tax debt. Tax debts are primarily unpaid return, audit and non-filer assessments. Appeals represents the resolution of administrative appeals of proposed assessments, denied claims and private letter rulings.

Enterprise analytics, in combination with the enterprise data repository, is used to develop sophisticated models to routinely identify noncompliant taxpayers. Models range from simple, single-issue models to more complex models that involve multiple issues and sophisticated taxpayers. Models include tax return data characteristics to identify returns with a high probability of tax change and data characteristics to identify individuals and businesses that have not met their requirements to file. This repository contains tax information from agency sources and non-agency sources such as the Internal Revenue Service and other state, federal and local agencies. The collections functions use analytics and enterprise data to automate many key collection functions, including skip tracing, write-off of accounts and the issuance of financial garnishments. The models identify high yield cases that result in sustainable adjustments collected either by audit or collection staff and avoid selecting cases that do not turn out to be productive, thus reducing unnecessary taxpayer intrusion.

The workloads and audit and collections inventory are managed through the business process management component. It maintains a cohesive inventory of all cases, provides case assignment and a management. Management decisions are based upon a comprehensive understanding of agency-wide compliance opportunities that allow the agency to maximize revenue-generating capabilities and address areas of known non-compliance by properly prioritizing workloads and assigning cases to appropriate staff, allowing for the effective utilization of resources.

As with other components, the compliance component dictates that taxpayers are offered multiple ways to resolve their accounts, including installment agreements and offers-in-compromise if appropriate.

Appeals processing and litigation will be supported by linking all taxpayer cases and historical activities together, providing complete audit and collection history. This will allow for the tracking of case progress through the extensive and time consuming appeal procedures. Functions are supported that will allow legal staff to track and maintain appeals. Both efficiency and effectiveness will increase with the automation of legal business processes. Legal cases can be assigned and routed electronically, thereby improving the sharing of relevant information.

Benefits of this approach include:

- Sophisticated model techniques based on multiple criteria
- Unique but fair treatment streams
- Increased compliance self-service options
- Complete consolidated compliance history
- Efficient resource usage by reducing manual tasks and focusing them on issues that are revenue producing



*CGI has developed a five-step process for putting the blueprint into action.*

- 1. Formally document a vision and strategy*
- 2. Review existing initiatives*
- 3. Plan for the future*
- 4. Move forward*
- 5. Measure success*

*These steps require steadfast leadership and an evolutionary approach that incrementally works toward achieving true transformation.*

## **Presenting a process for attaining the future**

Time is of the essence when enacting change. Yet major transformation takes time. There is a need to balance these two factors. To transform into a revenue agency of the future, you must commit to and accept a holistic enterprise-wide approach that includes both short-term and long-term initiatives. Your focus must be fixed on results by setting aggressive performance goals and then achieving them through change management, business process renewal, use of information technology and organization development.

When an organization undergoes significant change, it usually involves multiple short- and long-term initiatives or projects, each focusing on a particular aspect of change. It typically begins as a single project to establish a vision and to shape its form and content. It then evolves into multiple related projects, each responsible for developing components of the change and introducing them into the organization. At this point, without careful oversight, the original strategy and vision are sometimes overlooked. Each initiative becomes a silo operation without consideration for its effect on and potential benefit to the overall organization.

The five step process described below provides a logical, structured approach to implementing change. However it is not a linear process. It requires steadfast, continuous commitment from agency leaders. It is an iterative process that must be reviewed and refreshed as new environmental effects are discovered and as the agency itself matures.

### **Step 1 - Formally document a vision and strategy**

Change for change's sake has little value. The objective of any change effort must be to achieve one or more strategic goals. Success only comes with the alignment of all elements of an organization, people, processes and technology with each other and the business strategy. A formal vision and strategy will provide an integrated, high-level view of how stakeholders will experience the agency of the future. It describes how the organization will function in terms of business processes, technology and the work setting, and sets target performance measures for each of these areas.

### **Step 2 - Review existing initiatives**

Once a clear vision has been defined, a review of current initiatives and their relationship to the objectives laid out in the vision should be performed. Each initiative should be evaluated to determine 1) if it meets one of the core strategic objectives of the agency, 2) how it fits into the overall vision for the future, and 3) what is the longevity and potential return on investment. The agency also should assess its capabilities from a resource and technology perspective to support current initiatives. The key is to ensure current initiatives will produce results, have a high strategic value, and demonstrate progress to external and internal stakeholders toward achieving the long-term performance targets. If an initiative does not satisfy these criteria, corrective action should be taken.



### **Step 3 - Plan for the future**

It is important that agencies recognize that the implementation of any new initiative requires more than a vision—it requires a plan. With a solid plan, an agency is positioned to transform its organization to support its vision. In order to create a plan, the next step is to develop a clear, comprehensive picture of the future state of the agency. This picture describes the dimensions of the organization as it will operate including the processes, technology and work settings. From this picture, a transition plan will emerge that describes and sequences the major initiatives required to achieve that future state by prioritizing business and technology initiatives to find the right mix that the organization can handle concurrently. Initiatives can be complex agency-wide changes or smaller in scope changes that introduce gradual change. It is important to understand that existing applications do not necessarily need to be replaced to function in the future enterprise. There are many options available to sustain their usefulness, such as service enabling them.

There is not a “one-size-fits-all” transition plan. Each agency is unique and must evaluate its current situation and determine what initiatives will give them the most return on investment and in what order. Agencies also must consider their unique environmental impacts, such as new policies or regulations that directly affect future initiatives.

Each initiative should be evaluated to understand the costs, benefits, risks, impact and relationship to other initiatives, intended life span and funding options.

A few guiding principles to apply when performing this evaluation include:

- Envision the future while focusing on current tax and technology trends
- Seize the inevitable
- Design from the outside-in
- Rely on architecture and standards
- Invest in robust applications, not proprietary technology
- Build out the infrastructure
- Plan for change from both a legislative and technology perspective
- Maintain a strategic 3-5 year view, even while implementing tactical initiatives to address today's issues

### **Step 4 - Move forward**

To begin making your vision a reality, you must act on the goals and milestones defined in the transition plan. At the conclusion of the planning phase, you will be poised to move forward in subsequent phases, including possible procurement, detailed requirement definition and implementation.

### **Step 5 - Measure success**

Performance measures link strategy to execution. They enable an organization to evaluate their progress toward strategic objectives. Measuring performance is key to achieving your goals. You must interpret performance data and determine what actions to take. If the performance results differ from your strategic performance targets, you must identify the cause and implement a corrective plan.

## About CGI

At CGI, we're in the business of satisfying clients. For 30 years, we've operated upon the principles of sharing in clients' challenges and delivering quality services to solve them. A leading IT and business process services provider, CGI has approximately 25,000 professionals operating in 100+ worldwide offices.

Within government, CGI has the strategies, services and solutions organizations need to increase citizen and employee satisfaction and achieve measurable program improvements. CGI has partnered with all levels of the U.S. public sector, including 44 states; 300+ local governments, including 70+ of the largest counties; and a majority of federal agencies. In addition, CGI has worked with government agencies in Canada, Europe and Australia, allowing us to leverage our worldwide experience and best practices.

CGI maintains a specific practice that focuses exclusively on providing consulting and technology assistance to revenue agencies worldwide. Our tax and revenue management service line consists of full-time professionals engaged in the implementation and development of comprehensive solutions—including people, processes and technology—that enable significant improvements in tax administration and debt collection. Our team comes with a rich set of experiences at tax and revenue agencies around the world, both as consultants and as agency leaders. These experiences include a series of large-scale transformation projects that have successfully transformed these agencies.

For more information on our tax and revenue services and solutions, visit [www.cgi.com](http://www.cgi.com).