



State of California

Franchise Tax Board

Information Technology Strategic Plan 2014 to 2018

Version 1

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1 Message from the Chief Information Officer

I am pleased to present the updated Information Technology (IT) Strategic plan for FTB. This plan contains four key goals:

- Maximize IT Return on Investment
- Modernize IT Systems
- Secure IT Delivery
- Optimize IT Workforce

Throughout most of the duration of this plan (2014-2018), we will be implementing our vision through the Enterprise Data to Revenue Project. Now is the time for FTB, especially in our IT delivery, to be innovative, efficient and resourceful; finding ways to achieve more with less; consolidate while modernizing; simplify while reengineering, and centralize while upgrading services for the entire enterprise. We must remain focused on the strategic direction of the department and State IT as we implement our Information Technology Strategic Plan.

I believe that two major trends are influencing the needs of our customers as well as the IT solutions we deliver to them. First is the expectation of collaborations at all levels of government and collaboration with our stakeholders. Taxpayers expect us to work with and share data, expertise, and applications with other governmental agencies. They also expect us to reach out and work together with key stakeholders. Second, is the desire for modern enterprise solutions. This means solutions that are available 24/7/365, user-friendly and can be agile to the needs of the customer. Acting on these two trends is necessary in order to meet the ever-changing demand of California taxpayers.

This IT Strategic Plan is the result of the Technology Services Division's (TSD) dedicated and hard working staff. Starting with business needs, goals, and problems, we developed a comprehensive IT Strategic Plan that communicates the vision for meeting the department's needs. From a strong IT infrastructure to automated/managed business processes, accomplishing these strategies allows FTB to provide new and improved services in a more effective and efficient way. The EDR Project is our first step in this journey.

"Progress is hard work" and "Rome was not built in a day". These two philosophies are key. We look forward to collaborating with business partners, employees, vendors and other stakeholders in this journey to make a difference for the taxpayers of California!

Cathy Cleek
Chief Information Officer (CIO)
Franchise Tax Board

2 Executive Overview

This updated Information Technology (IT) Strategic Plan aligns the IT vision and future direction with FTB's business goals and opportunities. The IT vision, goals, and principles were previously created and validated through the collaborative efforts of key FTB personnel, comprised of business and IT staff. The goals and strategies support the State of California's IT Strategic Goals and FTB's Strategic Plan 2012-2016.

Throughout Section 3, shaded call-outs highlight current or recently completed efforts to illustrate how TSD has begun to realize the vision described in the strategic plan.

2.1 Mission

Technology Services Division's (TSD) mission is to support Information Technology (IT) infrastructure and services essential to the success of the department's programs.

"We make IT happen"

2.2 Vision

We will be a proactive IT leader that continues to develop and support a strong IT workforce, establish management-approved IT governance, and deliver innovative IT solutions that support the department's core mission of collecting taxes.

2.3 Overview of IT Strategic Goals

The IT strategic goals outlined in this document set forth strategies for advancements which progress us toward our IT vision.

Goal Title	Goal Description
Goal 1: Maximize Information Technology (IT) Return on Investment	Return on investment strives to realize revenue and decrease costs by committing our IT investments to standardize processes, reduce technology variance, and improve business operations
Goal 2: Modernize Information Technology (IT) Systems	Systems modernization strives to implement IT solutions which result in advancements in data quality and availability, self-service offerings and functions, automated business processes, and efficient operations
Goal 3: Secure Information Technology (IT) Delivery	Secure delivery strives to improve IT security by implementing standardized security architecture at all levels of IT and developing effective and usable disaster recovery products and services
Goal 4: Optimize Information Technology (IT) Workforce	Optimize IT Workforce strives to improve IT workforce satisfaction and reduce turnover by ensuring employees have the skills for TSD's evolving technical environment

3 FTB IT Goals and Strategies

3.1 IT Strategic Goals

In the sections that follow, the approach to achieving the department's key initiatives and strategic goals is explained in context of four IT Goals, and the associated strategies. In addition to setting a long-term IT vision and future direction for the department, these goals take into account the changing workforce, technology, and application environments.

Goal 1: Maximize Information Technology (IT) Return on Investment

Definition	Return on investment strives to realize revenue and decrease costs by committing our IT investments to the following three areas: <ul style="list-style-type: none"> • Standardize processes • Reduce technology variance • Improve business operations and standardization
Strategies	<ul style="list-style-type: none"> 1.a Mature Target IT Operational Model to optimize division-wide planning, building, and running of IT 1.b Improve IT Investment Planning by maturing IT strategic investment portfolio management 1.c Implement tools reduction strategy to reduce supported technologies and set department IT standards 1.d Improve and optimize Software Development Life Cycle (SDLC) and IT Service Management (ITSM) processes and methodologies to deliver quality and reliable services to customers 1.e Expand IT metrics to track performance at all levels, and identify areas for future improvement 1.f Institutionalize and mature a domain governance model that establishes enterprise standards for the delivery of IT services according to business needs and priorities
Critical Success Factors	<ul style="list-style-type: none"> ✓ <i>Target Operational Mode (TOM) fully implemented and accepted</i> ✓ <i>Supported technologies have been standardized</i> ✓ <i>Standardized SDLC model is fully adopted</i> ✓ <i>Incident and Problem Management processes are in place to maintain high service availability</i> ✓ <i>Governance, Enterprise Architecture (EA), and IT Service Management fully operational and adopted throughout FTB</i>

The **Technology Action Committee's** (TAC) purpose is to address enterprise technology issues, standards, policies and strategic direction. TAC continued to evolve and mature over the last few years by:

- *Adopting an intake process to evaluate and prioritize incoming project concepts*
- *Adopting a standardized IT project portfolio review process to ensure projects are on track*
- *Providing IT spending recommendations that optimize spending allocations*

Goal 2: Modernize Information Technology (IT) Systems

Definition

Systems modernization strives to implement IT solutions which result in advancements in the following four areas:

- Data quality and availability
- Self-service offerings and functions
- Automated business processes
- Efficient operations

Strategies

- 2.a Implement an enterprise data warehouse and deploy Master Data Management processes for all data
- 2.b Enhance public facing services including expanding self service capabilities, improving mobile services, and improving taxpayer account features
- 2.c Continue to mature Enterprise Data Management (EDM), Security, Service Oriented Architecture (SOA), Business Process Management (BPM), and IT Service Management (ITSM) to eliminate duplication, increase efficiency, and reduce costs
- 2.d Streamline operations and infrastructure to eliminate duplication, increase efficiency, and reduce costs and energy consumption
- 2.e Utilize Enterprise Architecture (EA) as a discipline to enhance decision making, optimize investments, and ensure standardized technology
- 2.f Institutionalize long-term programs to predict demand, manage capacity, and optimize delivery of IT services

Critical Success Factors

- ✓ *Utilization of the target architecture in the planning processes*
- ✓ *Successful implementation of new technology via the EDR project*
- ✓ *Taxpayer and business self-service options are the architectural standard*

*We have made significant progress in our **Paper to Digital** effort, which aims to decrease paper-based processes and move toward a digital office and electronic processes.*

The first EDR Release brought many changes to our front end processes – most notably the ability to scan the entire 2011 Form 540 return, including attached W-2s, schedules and checks. In addition to expanding our data capture abilities, these changes also reduced our operating costs by greatly reducing the manual process for storing and retrieving tax returns.

Virtualization of our IT assets has enabled FTB to minimize equipment purchases and reduce carbon emissions. For example, in the last 5 years we have virtualized 82% of our servers.

Goal 3: Secure Information Technology (IT) Delivery

Definition	<p>Secure delivery strives to improve IT security by:</p> <ul style="list-style-type: none"> • Implementing standardized security architecture at all levels of IT • Developing effective and useable disaster recovery products and services
Strategies	<p>3.a Establish an internal single sign-on service that secures access to applications, federated partners, and web services</p> <p>3.b Maintain compliance with California's Information Security Strategic Plan (ISSP), State Identity Credential & Access Management (SICAM), IRS Publication 1075, and other applicable requirements</p> <p>3.c Continue to evolve our disaster recovery program by expanding efforts into all IT systems</p> <p>3.d Implement a comprehensive enterprise Identity and Access Management (IdAM) solution</p>
Critical Success Factors	<ul style="list-style-type: none"> ✓ <i>The availability and quality of IT services is not compromised by security incidents or vulnerabilities</i> ✓ <i>Successful implementation of the IdAM solution via EDR</i> ✓ <i>A current Disaster Recovery plan exists for all technology areas that support mission critical business functions</i>

*In 2012, we strengthened network security by implementing **Two-Factor Authentication (TFA)**. TFA is a security strategy that requires two separate means of identification to the FTB network, which ensures that network identities are protected.*

TFA also maintains our compliance with State and Federal policies regarding security requirements for access to Federal Tax Information (FTI).

*In response to taxpayers' growing demand for e-services, we implemented the **External Authentication for Secure E-Services (EASE)** project. Prior to EASE, taxpayers logged on to each online service separately and online services were unavailable for business entities or authorized representatives.*

EASE provides a single, secure method for customers to access all of FTB's web applications and offers all external customers the ability to self-register.

Goal 4: Optimize Information Technology (IT) Workforce

Definition	Optimize IT Workforce strives to improve IT workforce satisfaction and reduce turnover by ensuring employees have the skills for TSD's evolving technical environment.
Strategies	<p>4.a Establish workforce planning to improve staff utilization, workload priorities, and promotional opportunities</p> <p>4.b Advance technical training efforts to align employee's core competencies and skill sets with the department's technical direction</p> <p>4.c Establish an environment where employees have greater ownership and accountability for their work and the opportunity to make increasingly independent decisions</p> <p>4.d Attract and retain a skilled workforce by forecasting, analyzing and evaluating future technology job needs and identifying and implementing workforce transition strategies</p>
Critical Success Factors	<ul style="list-style-type: none"> ✓ Targeted training plans to align employee skills with the department's technical direction ✓ TSD is actively engaged in succession planning ✓ Leadership opportunities are provided at all staff levels

FTB 2020 documents and defines FTB's business vision for how we will operate and interact with taxpayers in the future. Key elements include:

- moving to a digital office
- making better use of data
- increasing transparency
- improving processes to do things sooner
- being better partners to banks and employers

We realize employees are an important part of making FTB 2020 a reality. As result, the Worker of the Future effort was developed. This effort's objectives are to provide employees increased information availability and increased flexibility in performing their jobs.

With the increasing integration of business and technology, we chose to adopt the discipline of **Information Technology Service Management (ITSM)** to improve IT service delivery. ITSM is the implementation and management of quality IT services that meet the needs of the business.

The **Information Technology Infrastructure Library (ITIL)** is a world recognized framework for implementing ITSM. Over the past several years, we made a significant investment in our staff by providing ITIL Foundations training. To date, we have over 300 ITIL Foundations-certified professionals.

3.2 Alignment of Goals

The strategic goals depicted in the following tables illustrate a cohesive and collaborative target and show alignment with the State of California’s IT strategic goals and FTB's strategic goals.

Table 3.2-1: FTB IT Strategic Goals Alignment with California IT Strategic Goals

	FTB IT Goals			
	Maximize IT ROI	Modernize IT Systems	Secure IT Delivery	Optimize IT Workforce
State of California IT Strategic Goals				
Responsive, Accessible & Mobile Government		X		
Results through Leadership & Collaboration				X
Efficient, consolidated, and reliable Infrastructure and Services	X	X		
Information is an Asset		X	X	
Capable Information Technology Workforce				X

*A reliable technology infrastructure is the key to providing responsive and accessible services. Since 2008, we have implemented several efforts to upgrade FTB’s critical infrastructure (**Enterprise Tape Library, Mainframe Upgrade and Network Switch Upgrade**). By doing so, we were able to replace obsolete technology and ensure we have sufficient capacity to handle future workload growth.*

Table 3.2-2: FTB IT Strategic Goals Alignment with FTB Strategic Goals

FTB Strategic Goals	FTB IT Goals			
	Maximize IT ROI	Modernize IT Systems	Secure IT Delivery	Optimize IT Workforce
Taxpayer Centric Service		X		
Effective Enforcement		X		
Strong Organization				X
Operational Excellence	X	X	X	

*Our department strives to provide superior, customer centric service to the public. To support that goal, we implemented **Live Chat** and **Virtual Hold**. Both of these technologies enhance the customer experience by giving taxpayers additional options in their interactions with FTB. Fewer calls to our phone lines mean less hold time for our customers and reduced operating costs for the department.*

Our tax administration work requires FTB staff to exchange sensitive and confidential information with our customers.

***Secure email**, implemented in 2010, enables FTB staff to encrypt emails prior to sending to customers outside of our department. This provides a safe and secure option for customers who prefer electronic communications.*

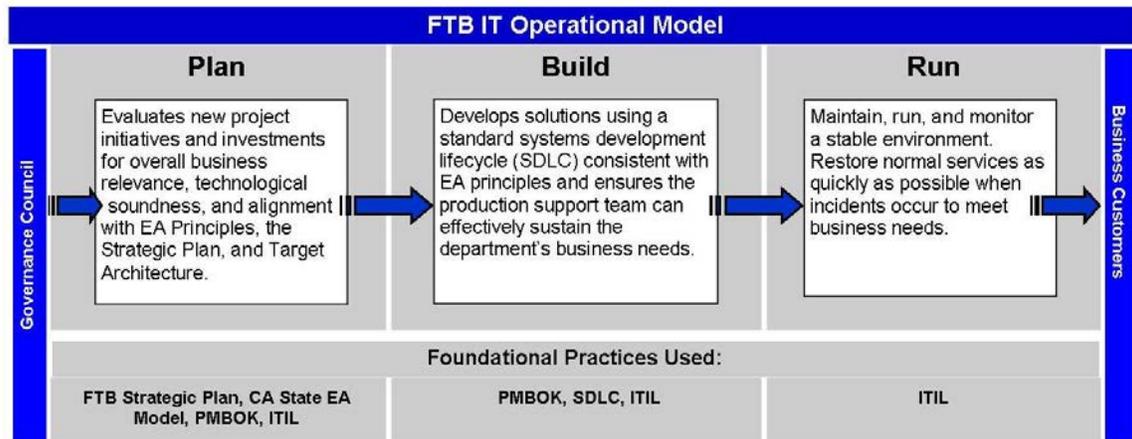
4 Target Operational Model (TOM)

TSD's Target Operational Model (TOM) seeks to achieve the highest level of innovation and success by eliminating redundancies, creating efficiencies, and providing enterprise perspective through collaboration with customers. TSD's TOM depicted in Figure 4-1 is comprised of three service areas: Plan, Build, and Run.

Implementing this Operational Model enables TSD to achieve the following:

- Optimize the delivery of IT services to the enterprise
- Consolidate IT decision making processes
- Define standardized and repeatable division-wide processes and functions
- Increase collaboration
- Transition the way TSD functions from siloed methods to an enterprise approach
- Increase the efficiency and effectiveness of our IT operations

Figure 4-1: Target Operational Model



Major advances towards the TOM since 2008 include:

- Established Chief Technologist roles for each service area
- Begun the realignment of IT functions under the appropriate organizational areas
- Initiated the transition to new and emerging technologies through Tax Systems Modernization (TSM)
- Adopted the ITIL framework for managing IT services
- Created teams that are functioning at the enterprise-level to develop the strategies and roadmaps needed to ensure TSD fully realizes the benefits of this operational model (e.g., Governance Domain teams (BPM, SOA, ITSM, Security, and Data), and Legacy Evolution Team)

5 Target Architecture and Tax System Modernization

5.1 Background

FTB continues to transform and adapt to economic, legislative, customer and technology changes that affect all work environments. Our continued success depends upon our ability to adapt in this dynamic environment. An extensive Business Problem Analysis (BPA)¹ determined the current complex and siloed technical solutions contribute to TSD’s lack of agility to meet current and future business needs from an enterprise perspective.

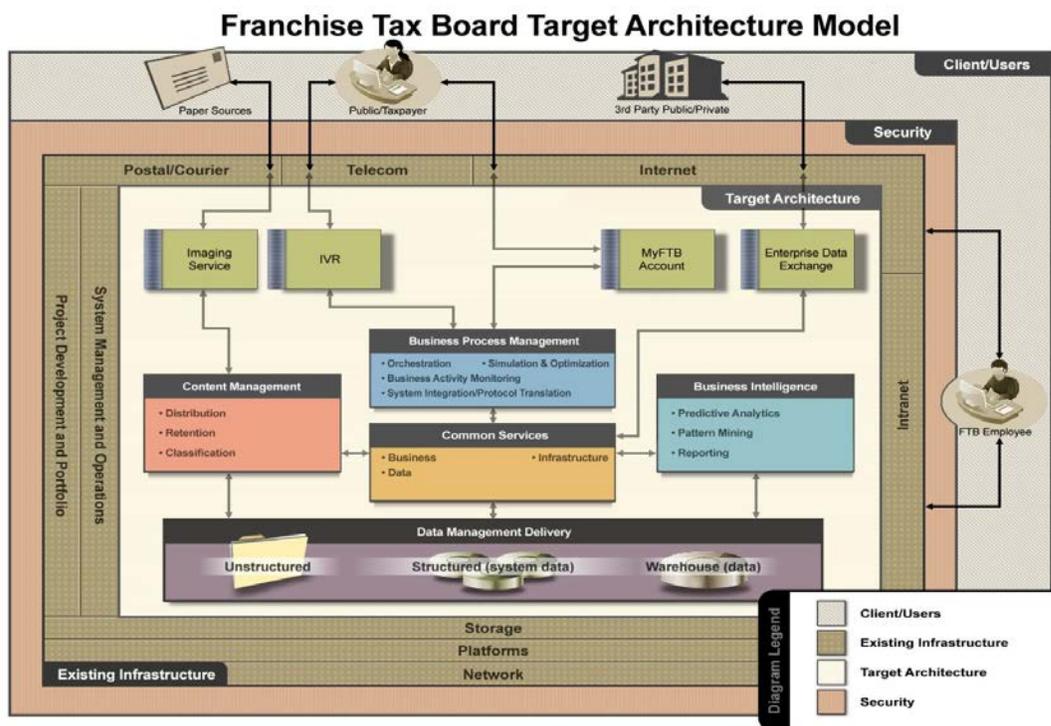
In response to the BPA findings, FTB created a technology modernization vision, which includes:

- Optimizing technical architecture
- Moving to a digital office
- Offering more taxpayers self-serve applications
- Enhancing use of data
- Increasing transparency for taxpayers

5.2 Target Architecture

FTB’s Target Architecture Model (TAM) positions the department to provide solutions that narrow the tax gap, overcome business problems, and realize opportunities in a cost effective manner. Focusing on information integration and enterprise solutions allows FTB to adapt to the dynamic environment. The TAM (figure 5.2-1) depicts a model that standardizes and consolidates technology platforms, centralizes data in a data warehouse, and establishes a modern approach to business process management and common services.

Figure 5.2-1: FTB Target Architecture Model



The TAM includes existing infrastructure components such as networks, platforms, storage, security, and existing information delivery systems. The TAM also introduces the following core components:

- **Data Management Delivery (DMD)**ⁱⁱ – DMD develops and executes architectures, policies, practices, standards, and procedures that direct data lifecycle needs of the department. The primary focus of DMD is the capabilities and benefits of data integration, sharing, and governance within FTB.
- **Content Management**ⁱⁱⁱ – Enterprise Content Management (ECM) employs strategies and technologies to manage documents and content. The ECM solution will provide capabilities to receive, store, and view electronic content.
- **Common Services**^{iv} – Common Services is a business-centric IT architectural approach, which integrates business processes through the implementation of repeatable tasks. Service Oriented Architecture (SOA) is a method of delivering common services, provides efficient utilization of functionality, and reduces the development of redundant systems.
- **Business Process Management (BPM)**^v – BPM is a strategy for managing and improving the performance of a business through continuous optimization of business processes in a closed-loop cycle of modeling, execution, and measurement. BPM focuses on organizational and technical structures, methodologies, and governance that help improve business agility and performance.
- **Business Intelligence (BI)**^{vi} – BI will provide real-time monitoring of business processes and activities. BI incorporates triggers, events, rules, and advanced analytics, which will allow for decision-making in real time. A central data repository will enable business managers to use graphical process models to directly analyze and manage resources to improve performance.

5.3 Tax System Modernization (TSM)

In 2010, a multi-phased approach to reaching our TAM was defined as our Tax Systems Modernization (TSM) plan. TSM includes three major phases.

Phase 1, Enterprise Data to Revenue (EDR) Project^{vii}, lays the foundation for TSM by delivering the infrastructure and software architecture required for a consolidated platform with common business functions and services. EDR is also expected to implement full image scanning of returns and payments, case management, modeling, and a taxpayer folder (MyFTB Account) to improve tax payer self service. EDR is described in more detail in section 5.4.

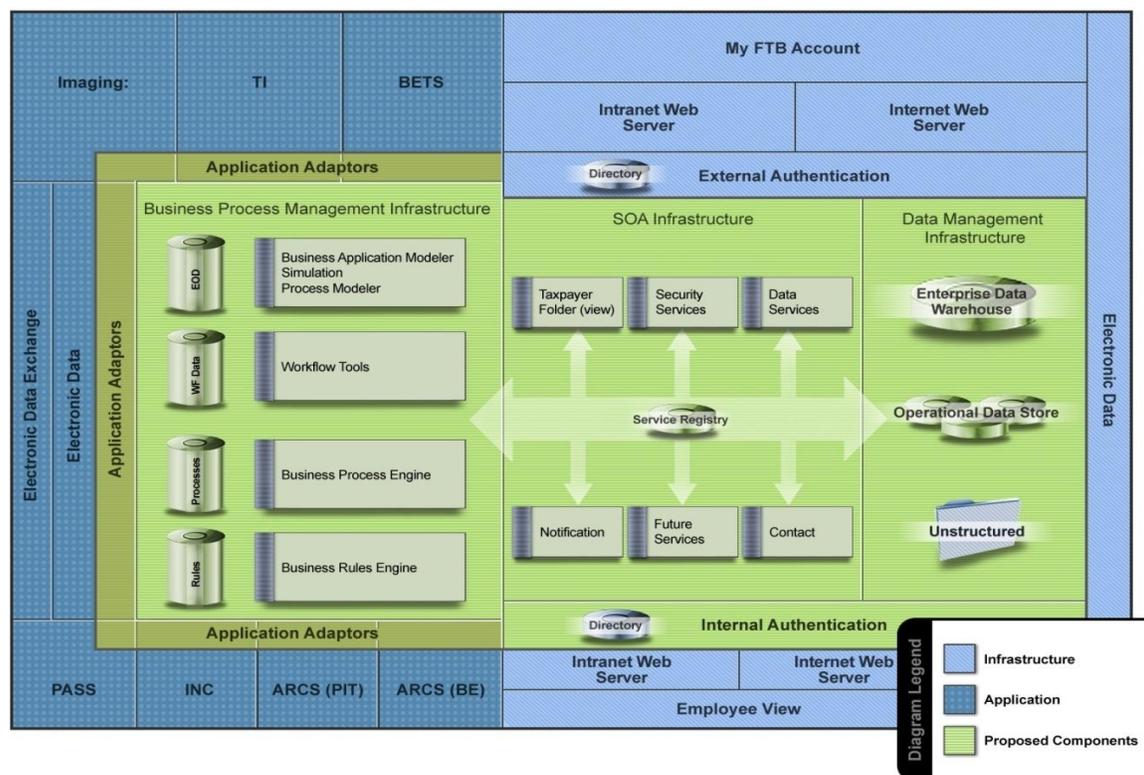
Phase 2 builds on the platform implemented through the EDR Project. It delivers Enterprise Case Management and Enterprise Modeling services for Collections, Audit, Filing Enforcement, and Non-Tax Debt and allows us to decommission the Pass-through Audit Support System (PASS), Integrated Nonfiler Compliance (INC) System, and Accounts Receivable Collections System (ARCS). Additional functionality will be implemented for the taxpayer folder (MyFTB Account) and our call center platforms will be modernized.

Phase 3 extends the functionality implemented through previous phases by delivering an enterprise tax accounting component and additional enterprise services. With the implementation of Phase 3, the TSM initiative is complete and the FTB tax program is integrated onto a common modern platform.

5.4 EDR Project

The Enterprise Data to Revenue (EDR) Project, which sets the TSM strategy foundation, is a five-year project to modernize FTB’s tax systems and processes. The project began in 2011, and is projected to generate approximately \$4.7 billion in additional revenue over the reporting period. The EDR Project uses a phasing strategy for the roll-out of all new solution components. The major EDR project components are depicted in Figure 5.4-1.

Figure 5.4-1: EDR Solution Model



EDR establishes an enterprise platform for future solution development. This includes the use of an enterprise data warehouse, centralization of business processes and rules, and use of common enterprise services. This enterprise approach will also require the maturation of enterprise centric approaches to governance, resource utilization, capacity planning, and other related disciplines.

An overview of the major components and technologies from EDR include:

- Enterprise Data Warehouse (EDW)** - integrates data assets from disparate sources that are currently found throughout the department. EDW provides a centralized repository of taxpayer information including history, entity addresses, and association of tax events, notices, and correspondence. The EDW will also provide centralized reporting and data analysis and improve data accuracy and availability.

- **Enhanced Imaging and Cashiering Capabilities** - performs image scanning and data capture of all priority data from taxpayer returns, payments, and correspondence. This reduces the need for key operations and automates the storing of tax data in electronic format for faster processing. The implementation of electronic cashiering enables FTB to electronically deposit all paper payments to financial institutions, thus streamlining processes and reducing cost and risks by eliminating the need for couriers to deliver paper checks.
- **Integrated Return Filing and Validation** - implements the automated validation of return data, processes inbound correspondence, and coordinates the issuing of notices. Through enhanced enterprise modeling, automates the selection and prioritization of return validation candidates based on history of tax activities.
- **Taxpayer Folder (MyFTB Account)** – provides an enhanced user interface for taxpayers to view tax information and perform self-services. The taxpayer folder is used by internal FTB customer service representatives to view all taxpayer information while processing a taxpayer case. This will be expanded in future phases to provide additional self-service capabilities to the taxpayer community, such as tax preparers and other state agencies.
- **SOA Infrastructure** – provides a standardized enterprise-level environment for designing, developing, and brokering reusable enterprise services. Notification, contact and addressing, security, taxpayer folder (MyFTB Account), and data services are examples of services to be implemented with EDR. When future certified enterprise services are implemented and adopted, FTB may be able to decommission existing legacy application functionality.
- **Business Process Management (BPM) Infrastructure** – standardizes, integrates, and consolidates business processes and rules. Visual process modeling and simulation allows business users to quickly test and refine business processes in real-time. Centralizing both processes and rules in enterprise repositories greatly reduces cost of maintenance and operation. Using BPM capabilities the department can redesign business processes to achieve dramatic improvements in critical performance aspects.
- **Identity and Access Management (IdAM) Suite** – provides FTB with security as a business service, and creates a single method to ensure all individuals and services are properly authenticated, authorized and audited when accessing application services. EDR will identify user identities, roles, and authorization entitlements for the taxpayer folder (myFTB Account).

6 Other Strategic Efforts

The following describes other strategic efforts at FTB to advance the strategic goals.

6.1 IT Service Management

IT Service Management (ITSM)^{viii} (in support of Goals 1 & 2) is a long term program designed to align the delivery of IT services with business objectives and improve availability of business processes, and the IT services which support them.

The objectives of this program include:

- Ensure the efficient delivery of services to meet business needs
- Develop, implement, and support policies, standards, and procedures for prioritized ITSM processes
- Utilize dynamic business process metrics for continual service improvement

6.2 Legacy Evolution Team (LET)

The Legacy Evolution Team (LET) is a cross-functional team formed to establish a long-term direction for FTB's legacy IT application and systems with respect to delivering FTB's TAM. LET was formed during the EDR project to study and make recommendations regarding EDR's impact on our Legacy systems and application retirement opportunities.

The team's objectives include:

- Identifying migration and integration opportunities aligned with the TAM
- Reviewing EDR design plans to identify legacy application impacts
- Developing strategies to modernize or retire FTB's legacy systems and applications

6.3 Administrative Systems Modernization

Administrative System Modernization (ASM)^{ix} is a multi-phased effort (in support of Goal 2) to implement IT solutions that results in centralized and quality employee data, automated administrative processes, and increased operational efficiency.

The objectives of this effort include:

- Design secure modern approach to managing employee data
- Retire and replace FTB's FoxPro administrative applications
- Integrate with statewide administrative systems

6.4 Data Center

The Data Center Strategy focuses (in support of Goals 1, 2, & 3) initiatives that create a modernized and secure Tier 3 equivalent data center.

The objectives include:

- Optimize utilization of raised floor space using virtualization and other modern technologies
- Reduce data center power consumption and carbon footprint
- Modernize the data center while preserving and enhancing security levels

7 Our Success

As we accomplish the Goals within the IT Strategic Plan, FTB's success will be measured by its ability to overcome vast obstacles, achieve incremental improvement, and adapt to various degrees of change. As we look forward to the future, we see that the IT horizon in California is inundated with major hurdles in the form of economic hardships, augmented Statewide IT governance, increased security threats, and a new generation of IT workers and skill sets.

Through determination, diligence, and innovation FTB will continue to lead the way in effective and efficient IT projects, change, and advancement. Meeting California's IT challenges head-on as we further progress FTB's IT objectives and goals by transforming from the department's current operational model, technologies, and skill sets to remain one of foremost government IT role models.

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