

State Tax System Working Group

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To Members of the Joint Budget Committee, the Joint Finance Committee, and the Joint Technology Committee:

Submitted herewith is the final report of the State Tax Working Group. This working group was created pursuant to Senate Bill 19-248. The purpose of this working group is to assess the current state of the Colorado tax system to determine if continued investments in the existing tax system are in the best interest of the state.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Natalie Mullis".

Natalie Mullis
Director

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Introduction

Pursuant to Senate Bill 19-248, the State Tax System Working Group (working group) convened during the 2019 interim. The working group was tasked with conducting an analysis of the state tax system, GenTax, currently used by the Colorado Department of Revenue (DOR) to administer taxes, and maintained by DOR, the Governor's Office of Information Technology (OIT), and the vendor, FAST Enterprises, LLC (FAST). This report outlines the working group's findings and recommendations.

Background. In 2016, application support for GenTax was fully transitioned to FAST, with OIT managing the infrastructure to host GenTax.¹ In FY 2017-18, DOR submitted an operating budget request for \$3.8 million to add more FAST technical resources to support GenTax and to upgrade the state's data center, where GenTax is hosted. DOR was appropriated funds for GenTax operations in DOR's annual operating budget in FY 2017-18 and in FY 2018-19, \$6.4 million and \$5.7 million, respectively.

On December 11, 2018, the Joint Budget Committee (JBC) requested that the Joint Technology Committee (JTC) review DOR's most recent (FY 2019-20) operating budget request. The request consisted of an additional \$1.4 million General Fund (GF) and 12 full-time employees (FTEs), split between DOR and OIT, with future additional funding of \$2.8 million GF in FY 2020-21 and 26 FTE, annualizing to \$2.7 million GF in FY 2021-22.

To research the FY 2019-20 operating budget request, JTC staff met with DOR and OIT leadership and staff on two occasions. Following these discussions, the JTC recommended that the JBC fully fund the operating budget request to hire state employees to support GenTax in order to reduce the state's reliance on vendor resources. As the additional state FTEs become proficient in the system, the department's reliance on the GenTax vendor, FAST, should decrease.

The JTC sponsored SB 19-248 in response to its review of the FY 2019-20 operating budget request, the JTC staff analysis, and information from the department. The goal of creating the working group was an assessment of the current state of the Colorado tax system, which could be used to determine if continued investments in the existing tax system were in the best interest of the state.

Requirements of SB 19-248. SB 19-248 required the working group to consider, evaluate, and provide findings and recommendations on:

- the deficits of the current state tax system, including requests that the system cannot satisfy;
- stakeholder dissatisfaction with the system;
- the benefits of ownership of the current tax system in relation to the cost of the total deficits of the current system;
- any potential new investments in GenTax to either address the deficits of the system or pursue a replacement system;

¹Colorado Office of the State Auditor. "State of Colorado Statewide Single Audit Fiscal Year Ended June 30, 2018." February 2019. pp. II-37.

- any potential areas of improvement for the current state tax system, including options to provide a robust tax reporting and analytics solution and options to develop and maintain an external severance tax module that interfaces with the current state tax system;
- options for managing the recurring changes in tax data and the method by which newly requested tax reports are implemented and generated to track those changes;
- any other evaluations or considerations deemed necessary by the working group in connection with the state tax system;
- the benefit of an independent third-party assessment of the state tax system; and
- whether to continue the working group through the 2020 interim.

The scope of the working group assessment did not include any of the other software systems under DOR's purview, such as: (1) the Colorado Division of Motor Vehicles system, DRIVES, which provides driver and vehicle services, including processing state vehicle titling, registration, and driver licenses; (2) tax administration of the state lottery; (3) collection of city, county, Regional Transportation District, and special district taxes; (4) the Highway Users Tax Fund; and (5) the collection and distribution of gaming taxes.

Acknowledgments. JTC staff is grateful to the state employees who provided their expertise to analyze the tax system and the critical functionality it provides to many internal and external stakeholders. The staff further thanks the DOR and OIT management teams and staff, the Legislative Council director and staff, the legislative economists, the fiscal notes analysts, the JBC staff, and the Office of State Auditor for their support, guidance, and expertise.

Lastly, due to the dedication of DOR, OIT, and the legislative employees who contributed their time, the working group established a communication channel that brought new insight and clarity about GenTax, its functionality, and potential areas of improvement.

Executive Summary

Key Findings

1. **Benefits of GenTax versus deficits.** The Colorado GenTax system provides a breadth of functionality for administering state taxes; however the tax system, and the business processes for administering taxes, have some areas in need of improvement. Under the new leadership at DOR and OIT, the departments have already implemented many of these improvements.
2. **Developing an external severance tax module.** The working group assessed the feasibility of creating a custom, external severance tax module to evaluate system alternatives and possible future cost savings. Specifically, the working group compared OIT's high-level cost estimate to develop an external severance tax module and DOR's estimate to add severance tax functionality to the existing GenTax system. Although the estimates concluded that the maintenance costs for an external custom-coded module are higher than adding the severance tax functionality to the existing GenTax system, both options are comparable in costs to implement. Additionally, DOR explains that before any technical changes are made to the tax system, two actions should be completed: (1) DOR requests that all severance tax filings be submitted electronically since severance tax is currently submitted in paper form only; and (2) JTC staff recommends that a cost-benefit analysis be created to evaluate the options for adding severance tax functionality to ensure the best solution is chosen.

3. **Tax reporting and analytics solution.** DOR produces numerous reports using the reporting features of GenTax to provide Colorado tax administration information to internal and external stakeholders. However, the working group found that adding stand-alone data technology to the existing tax system may be beneficial.
4. **External assessment of GenTax.** DOR has procured a vendor to conduct an external assessment of GenTax.

Recommendations

JTC staff recommends not to continue the working group past the 2019 interim assuming DOR and OIT provide the JTC with the following updates on or before July 1, 2020:

- the timeline and progress of the goals stated for the recent operating budget increases;
- the progress of the action items identified by the working group and the DOR-managed external assessment;
- the progress of evaluating a custom, external severance tax module by creating a cost-benefit analysis using existing resources; and
- the progress of evaluating the costs and benefits of improving tax reports and adding a data analytics solution.

JTC staff also recommends that DOR and OIT conduct another tax system user survey to determine if their recent improvements have had an impact. After DOR evaluates the results of its user survey, it should provide the JTC the survey results and a summary. JTC staff recommends that DOR provide the JTC with its plan to conduct the user survey on or before July 1, 2020.

Background of GenTax

GenTax processes 78 tax types and administers the local sales tax for 267 jurisdictions in the state. Colorado's GenTax system was developed over ten years ago, but it is currently operating in the latest FAST version. Each year, the state may install two to four FAST updates. DOR and OIT plan to update again in 2020.

In 2018, 83 percent of the individual income tax returns submitted to DOR were electronic, and the other 17 percent were paper tax returns.² Overall, most paper tax return forms are read by the FairFax optical character reader (OCR), which is located and maintained through the Department of Personnel and Administration. The OCR scans and then imports the data into GenTax for tax administering processing. For some of the older tax return forms, the return information is manually entered into GenTax.

Electronic tax returns can be submitted using three methods: (1) the GenTax web portal, Revenue Online; (2) the Modernized eFile (MeF), jointly administered by the Internal Revenue Service (IRS) and multiple states and used by commercial or external tax products; and (3) web services set up for high-volume taxpayers. A full description of tax return submission processes can be found in Attachment A, Tax Return Receipt Process for Paper and Electronic Tax Return Submissions.

²"By the Numbers – TAX," Colorado Department of Revenue
< https://www.colorado.gov/pacific/sites/default/files/2018_Annual_Report.pdf >, accessed September 25, 2019, pp. 57.

The DOR Division of Taxation is the primary user of GenTax, however; the system is also used by other DOR divisions and sections, including the Office of Research and Analysis (ORA). ORA produces statutory and nonstatutory tax reports while complying with various state and federal regulations.

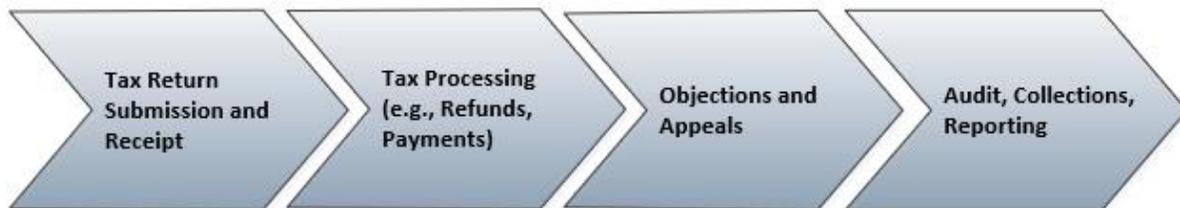
According to FAST, GenTax is a complete, integrated tax processing software package designed to support an agency implementing multiple tax types and can adapt to diverse agency requirements through custom code. FAST provides its tax system to 30 states and local governments, and internationally in 9 different countries.³ The Federation of Tax Administrators says the market has at least two other vendors that provide similar tax software. Florida and New York, states that have systems comparable to Colorado’s tax complexity, have custom tax processing systems. California’s four tax agencies use a combination of custom and commercial off-the-shelf (COTS) systems.

The Benefits and Deficits of GenTax

Background. Pursuant to SB 19-248, the working group evaluated the state tax system by reviewing the benefits and deficits of the system, including how effectively the system meets stakeholder requirements.

Tax systems can facilitate many of the tasks required to process tax returns, refunds, payments, and can collect tax information (see Figure 1: Tax System Functionalities). Tax systems can also provide a web portal for taxpayers to submit their tax returns or a system interface to integrate with third-party commercial applications. In regard to compliance monitoring and enforcement, tax systems may also provide features to support audits and collections, including providing tax information, or tax reports, to managers and staff.

Figure 1
Tax System Functionalities



³“Our Clients,” *FAST Enterprises*, < <https://www.fastenterprises.com/about/clients/> >, accessed on September 25, 2019.

System benefits. GenTax provides a breadth of tax processing functionality in each of the following seven modules:

1. *the Customer module* provides registry, correspondence, and online services;
2. *the Revenue module* provides functionality for returns, refunds, payments, accounting, billing, and appeals for some site protests;
3. *the Workflow module* provides functionality for case and work management;
4. *the Information module* provides a data mart for tax reporting;
5. *the Compliance module* provides a data warehouse containing data from external resources, such as the IRS, along with collection, discovery, bankruptcy, non-filer, fraud, and audit functionalities;
6. *the Management module* provides system management functionalities, such as security, interface, and business rules; and
7. *the Special Functions module* provides ancillary features, such as imaging and inventory management.

DOR elected to not procure all of the features that FAST offers because of the cost. For example, some features of the Special Functions module are not installed. Regarding other modules, some features such as e-services, appeals, workflow management, analytics, and the dashboard are not available for every Colorado tax type. For the Management module, the business rules feature is not available for some of the state tax types.

System deficits. The first release of the GenTax system was in 2008. Considering the age of the system and ongoing changes in business requirements, GenTax has a number of service requests (SQRs) in its queue. SQR types include requests to correct the original design of the system, enhancements, information requests, maintenance, and changes to address requirements added through new legislation. DOR tracks SQR priorities using the following four levels:

1. *Urgent* is a SQR describing a system functionality that does not work properly, and no work-around exists;
2. *High* is a SQR describing a system process that needs to be stopped, such as preventing return posting;
3. *Standard* is the default priority for most SQRs; and
4. *Low* is used mostly for enhancement requests.

DOR provided a report of SQRs in its queue between June 21 and August 23, 2019. During this time period, GenTax had a total of 553 items in its SQR queue, which included three high-level SQRs and no urgent SQRs. During this period, the report showed a similar number of SQRs added to the queue compared to the number that were closed. Nevertheless, DOR plans to increase the rate of closing SQRs as the additional state employees, appropriated under the FY 2019-20 operating budget request, are trained. The department's priority is to close all existing SQRs that address changes to existing tax forms and changes from new legislation. Overall, it expects to close over 100 SQRs by the end of this calendar year.

Although the number of SQRs is an indicator of the amount of work needed to correct or enhance GenTax, the total number of SQRs cannot be used to determine level of effort required to make system improvements since SQRs vary in size and scope. For example, DOR states that some SQRs can be closed in as little as a day, while others may take close to a year to implement. Additionally, DOR states that the SQR queue may contain duplicate requests or obsolete items.

Department improvements. Please find below a list of the changes DOR and OIT have undertaken and implemented since 2018 that aim to improve the system deficits of GenTax.

- *The Business Innovation Group (BIG).* BIG is a support group formed by DOR that partners with OIT and other technical-solution providers to lend agency expertise and establish clearly defined goals, accountability, and priorities for the department's IT projects. BIG coordinates with the DOR divisions to explore the use of both technology and process improvements to find greater efficiencies and effectiveness in customer service. BIG also uses an agile methodology, which involves collaboration and continuous feedback with stakeholders, to improve workflow and program implementation. The department's agile implementation aligns with the Governor's Office and OIT's approach for the state's new IT solutions and services.
- *Governance teams.* DOR established two governance teams that provide additional oversight of the system. The objective of the governance teams is to establish and employ policies to streamline processes that align IT solutions with customer expectations and mission requirements, including enterprise project planning initiatives and SQR-centric process improvement projects. First, the production solution team (PST) is comprised of organizational leadership who meet every other week to align GenTax functionality with organizational strategy and requirements. The integrated support team (IST) members are system super users and subject matter experts who: (1) represent each internal customer group; (2) review and scope each SQR prior to submission; and (3) work to improve the SQR submission process, including evaluating the use of an agile methodology for all future SQR submissions.
- *GenTax support team.* DOR created the System Support Office (SSO) team that manages: (1) internal projects, such as implementing legislative changes; (2) daily SQR work; (3) daily tax file handling; (4) ongoing user training; and (5) tax system documentation.
- *Improved communications.* The department is developing a system communications plan to improve internal communications about GenTax, and has already developed PST, IST, and SSO newsletters that are sent to all department staff.
- *Stakeholder review.* The department identified and developed the communication channels necessary for its internal system super users and subject matter experts to ensure adequate communication of GenTax.

Recommendations. JTC staff recommends that the department provide the JTC two updates: (1) the timeline and progress of the goals stated for the operating budget increases; and (2) the results of a future DOR tax system user survey to assess its more recent improvements.

1. *Operating budget increase goals.* For its FY 2019-20 operating budget request, DOR explained the urgency of increasing its annual budget to better support the GenTax system. JTC staff understood from its meetings with DOR that the department may need even more funding in the future to adequately support the system. To summarize, the DOR FY 2019-20 operating budget request stated the following goals:
 - “to level-set resources to execute tax administration accurately and efficiently without pulling existing resources from other areas of production which negatively impacts the performance and service levels of those other areas” and
 - “to demonstrate success with the initial [FY 2019-20 operating budget] investment, and then seek to continue to increase resources in future years to ensure that the system fulfills its maximum functionality and intended purpose.”

JTC staff recommends that DOR provide the JTC an update of its progress in meeting these stated goals, along with a milestone timeline of when the goal’s objectives will be completed within existing resources by July 1, 2020. If applicable, the department should provide an analysis of any critical objectives that cannot be completed in a timely manner under the existing operating budget.

2. *Results of another GenTax user survey.* On October 29, 2018, DOR and OIT published the results of an internal survey, which assessed user satisfaction with the state’s GenTax system.⁴ The survey discovered the following potential areas of improvement regarding the GenTax system; communication, governance, operation and maintenance, the SQR process, and training.

Since the completion of the survey, the DOR and OIT leadership team have implemented changes that may make substantial improvements in GenTax user satisfaction and its related processes and procedures. These changes include goals to:

- increase workload capabilities to support the daily functionality;
- provide ongoing training to business user groups;
- improve quality assurance oversight of the system outputs;
- mitigate tax system risks; and
- update the tax system configuration documentation.

After the recent improvements and newly hired staff have had time to affect change, JTC staff recommends that the department conduct another survey and provide a summary of the results to the JTC by July 1, 2020. If the department cannot provide an update at this time, JTC staff recommends that the department provide a new planned date to update the JTC on this effort.

⁴Colorado Governor’s Office of Information Technology, “GenTax – SQR Analysis Phase II,” October 29, 2018, pp. 8-11.

Lastly, JTC staff recommends that the departments continue their efforts to stay abreast of any potential improvements in the state tax system. DOR should continue meeting with other state and local governments and collaborating with OIT to stay up-to-date on technical solutions. The departments should also develop a contingency plan in the case the system is unavailable or not sustainable any more. Specifically, JTC staff recommends that the departments continue evaluating:

- plans to address GenTax obsolescence;
- the estimated cost to build an external, custom functionality that will interface with the existing GenTax system, such as an external severance tax module, a data mart, or additional data analytical tools;
- the addition of new technical platforms such as blockchain to improve system functionality;
- the cost of maintaining GenTax and a gap analysis of resources required to support and maintain the system in a pre-defined stable state; and
- the status of GenTax costs and security, including risks and issues associated with retaining the existing system versus replacing the system.

External Severance Tax Module

Severance tax stakeholders.⁵ The Colorado severance tax is a tax on natural resources, such as oil, gas, and metallic minerals, which are removed from the earth. Severance tax revenue is collected and distributed to the following state agencies and funds:

- the Innovative Energy Fund;
- the Department of Natural Resources Severance Tax Trust Fund;
- the Department of Local Affairs Local Government Severance Tax Fund;
- the Perpetual Base Fund for water loans and projects;
- various local impact grant and loan funds;
- the operational fund for Department of Natural Resources programs and other natural resource and energy-related programs; and
- direct distribution to local governments based on factors measuring the amount of oil, gas, and mining activities in a particular area.

Background. Although the GenTax system is a COTS system, it can be configured to provide customization. In Colorado's version of GenTax, approximately 92 percent of the code is proprietary vendor code, and the remaining 8 percent is custom code. As a result, the state benefits from a customizable system that is provided by a vendor that specializes in tax systems; however, the state is also dependent on vendor services and subject to its rates.

⁵"Severance Tax", <<https://leg.colorado.gov/agencies/legislative-council-staff/severance-tax>>, accessed on September 12, 2019.

As a case study, the working group evaluated the possibility of implementing an external severance tax module as a cost-effective alternative to being fully dependent on vendor services. Severance tax was chosen as the test case because severance taxes were among the first taxes implemented in the GenTax system.⁶ Over the past ten years, DOR has not enhanced the existing system to improve the administration of severance tax in GenTax. Adding additional severance tax functionality to GenTax as an external module presents an opportunity to automate some of the manual processes within the current functionality, which could increase the collection of severance tax and improve severance tax reporting.

In FY 2018-19, DOR provided the JBC an analysis and the estimated costs to simplify its severance tax administration by adding additional severance tax functionality to the existing GenTax system.⁷ Since all of the approximately 15,000 severance tax returns processed each year are submitted in paper form, DOR explained in its analysis that before technical updates are made to the tax system, the severance tax return should change from a paper return to an electronic tax submission to streamline filing and administration of severance tax returns. In other words, the department states that mandating electronic filing and adding additional severance tax functionality to the state tax system will improve the integrity and accountability of severance taxes in the state.

Findings. Creating an external severance tax module will require custom code developed by OIT, or by consultants managed by OIT. If the state develops and maintains custom software, it will add risk. Additionally, if the state pursues investing in a custom-coded external severance tax module, OIT would need to dedicate resources to designing, coding, and maintaining the new module for its customer, DOR. Whereas, maintaining all severance tax functionality in the existing GenTax system would continue to be performed by the vendor.

For the working group's analysis, OIT created a high-level cost estimate of resources needed to develop an external severance tax module. The OIT cost estimate budgets for a large contingency since OIT developed its analysis with limited available information. In order for OIT to refine its estimate, OIT asks that DOR develop the full scope of the project by: (1) reviewing the initial design and architecture options to determine the optimal technical platform; (2) collaborating with OIT to discuss solution options in order to meet business needs; (3) conducting a series of design workshops with key stakeholders, such as OIT, DOR, and local governments; (4) determining if existing resources are available to meet schedule and budget constraints; and (5) developing a statement of work.

OIT states that it can accomplish a detailed cost estimate and scope of work using existing resources if it re-prioritizes tasks assigned to its current projects. However, this would likely affect technical projects at other agencies. If the state decided to direct OIT to proceed with a detailed analysis, OIT states it can refine its estimates without impacting other tasking if it hires contractors for approximately six months. Table 1 outlines the funding needed to contract term-limited resources to develop a detailed analysis for an external severance tax module, without negatively affecting ongoing projects at OIT.

⁶"2011 NASCIO Recognition Awards Nomination", *Colorado Department of Revenue Colorado Integrated Tax Architecture (CITA) Project, Phases II and III*, Award Category: Improving State Operations, National Association of State Chief Information Officers, p.2, <www.nascio.org/portals/0/awards/nominations2011/2011/2011CO7-Colorado%20Nomination_CITA.pdf>

⁷"Department of Revenue FY 2018-19 RFI #1", The Colorado Department of Revenue, 2018, pp. 2-5.

<https://leg.colorado.gov/sites/default/files/images/lcs/rfi_electronic_sales_and_use_tax_simplification_system_3162018.pdf>

Table 1
OIT Contract Resources for a Detailed External Severance Tax Module Estimate
Six-Month Period

OIT Contract Position Resource	Estimated Costs
Senior Business Analysts (2)	\$100,000
Business Analyst (1)	\$35,000
Solution Engineer (1)	\$60,000
Project Manager (1)	\$60,000
Total	\$255,000

Source: OIT.

After comparing the OIT high-level estimate for a custom, external severance tax module and DOR's detailed estimate to add severance tax functionality to the existing GenTax system, as shown in Table 2 below, the working group determined that coding an external severance tax module is comparable in cost to adding the additional functionality to the existing GenTax system. However, when comparing the annual maintenance costs, the cost of maintaining and supporting an external severance tax module is two to five times higher than maintaining the functionality in the existing GenTax system. Specifically, the OIT high-level estimates show that the external severance tax module's annual maintenance cost would be between \$230,000 and \$460,000 for licensing and technical support compared to the annual cost of maintaining it within the existing GenTax is around \$9,000.

Table 2
Add Severance Tax Functionality to the Existing Tax System
OIT High-Level Estimate for an External Severance Tax Module and
DOR Detailed Estimate to Add Severance Tax to GenTax

OIT High-Level Estimate to Develop an External Module		DOR Detailed Estimate to Add GenTax Functionality	
Item	Estimated Costs	Item	Estimated Costs
Development and Testing		Vendor Development and Testing	\$147,500
Licensing		Mineral Audit	\$216,603
Integrations		ORA	\$22,720
Reporting		System Support Office	\$102,430
e-Signature			
Total	\$500,000-\$750,000	Total	\$489,253

Sources: OIT and DOR.

Before any tax system changes occur, DOR says severance taxes should be submitted electronically instead of in paper form. Even though DOR has rulemaking authority to require electronic filing per House Bill 19-1256, DOR is requesting statutory changes to support the collection and reporting of additional information sought by stakeholders, which includes requiring centralized collection, exempting severance taxes from refund interest statutes in certain cases, and giving DOR the authority to access a penalty for any severance taxes filed incorrectly.

Recommendations. JTC staff recommends that DOR and OIT review their estimates by conducting a high-level qualitative and quantitative cost-benefit analysis of the options for administrating severance taxes before investing funds to refine the estimates or conducting a proof-of-concept. For example, the departments could consider the following three options for their cost-benefit analysis: (1) creating custom code to develop and maintain an external severance tax module; (2) developing and maintaining additional severance tax functionality in the existing GenTax system; and (3) doing nothing, which requires continuing with the existing manual processes.

For the quantitative analysis, the departments should determine the most appropriate metrics to be used. Additionally, OIT and DOR should add a contingency amount to their estimates to account for risks based on their experience with similar projects. For instance, OIT may have a higher contingency since its estimates for an external module are based on limited information and on a technical platform that has not been approved yet.

For a qualitative analysis, the departments could consider the risks and benefits of each of their options. For example, one benefit of implementing an external severance tax module may be a reduction in costs when adding other external modules for administration of tax types besides severance tax. Specifically, economies of scale might be realized because the technical tools and internal knowledge would be established after the external severance tax module implementation. On the other hand, with the implementation of a custom-coded external severance tax module, the state may be increasing its risk by taking complete ownership of the code and the tax data it processes. However, given that OIT already hosts the GenTax system and its backups at the state data centers, the state may already have contractual obligations and risks pertaining to the GenTax system and tax data.

House Bill 15-1266 requires that information technology capital budget requests identify and quantify anticipated administrative and operating efficiencies or program enhancements and service expansion through cost-benefit analysis and return-on-investment calculations. Even though developing an external severance tax module is not a current capital budget request, JTC staff recommends that the departments provide the JTC updates, including a summary of their cost-benefit analysis, final recommendation, and if applicable, a milestone timeline. The timing of the updates to the JTC depends on the immediacy of the department's need to add severance tax functionality to GenTax and on resources, as well as statutory changes to support additional severance tax reporting and data collection.

State Tax Reports

Background. Pursuant to SB 19-248, the working group evaluated potential areas of improvement for GenTax, including a robust tax reporting and analytics solution. Timely, relevant tax reporting is essential because it supports:

- identifying problematic tax areas and taxpayer errors;
- estimating revenue impacts for fiscal notes and producing revenue forecasts;
- evaluating tax expenditures, including tracking enacted tax expenditures to confirm policy objectives;
- determining credit ratings for municipalities, counties, and special districts; and
- assessing the health of the state and regional economies for economists, bankers, and the business community.

Findings. ORA provides analytical expertise and research services to internal and external stakeholders. While complying with state and federal regulations, ORA provides tax information, statutorily mandated reports, and nonstatutory reports. During FY 2018-19, ORA provided 704 reports, including all of the reports required by statute (see Attachment B: DOR’s Tax Reports Delivered by ORA in FY 18-19). 97 percent of the reports ORA provided relied on GenTax data.

During the 2019 interim, ORA worked with FAST and OIT to research its reporting capabilities and possible improvements. For example, ORA recently finished its work to provide monthly retail sales reports to internal and external stakeholders. The retail sales reports provide the number of tax returns, gross sales, and retail sales by industry, county, and city in the state of Colorado between 2016 and 2018.⁸

Tax data. The information available for reporting depends on the data fields captured on tax forms and uploaded into the GenTax system. To increase efficiencies, reduce costs, and reduce taxpayer burden, some tax data fields are not collected on the tax form, and therefore cannot be reported. For example, a tax credit on the tax return form may ask for a total sum instead of requiring the taxpayer to itemize each tax credit amount.

Taxpayers can submit their tax returns either electronically or in paper form and that information is transferred into GenTax. Paper tax return data are collected through an OCR reader, and since the data captured are about 85 percent accurate, DOR and OIT are researching improvements in the OCR technology and procedures, which may result in increasing manual verification efficiencies. Additionally, DOR states that electronic return data are typically transferred into GenTax through batches processed in real-time or every 24 hours, depending on the tax type and program used to submit tax returns.

Outstanding tax reports. Most reports are developed using custom GenTax database queries that ORA runs to create each report. Not all tax information is currently accessible. For example, in cases when the information is not on the tax return form, or if the data have not been mapped and stored in GenTax, tax information from previous years cannot be easily reported. Currently, ORA and FAST are working together to map GenTax to get reporting information for tax types with limited reporting capacity.

ORA has compiled a list of nonstatutory report types that various stakeholders have requested, but cannot be provided at this time (see Attachment C, DOR’s Outstanding Tax Report Requests (as of 7-19-2019)). Tax report types that are not produced due to taxpayer burden cannot be provided until the tax form is changed and additional information is collected from taxpayers.

Data analytical tools. Although the GenTax system includes reporting capabilities, modern-day data analytical tools could provide a more robust addition to the state tax system reporting features, and may add monitoring and controlling functions. JTC staff found that other states have added reporting tools to their GenTax system to accomplish enhanced reporting. Besides improved access to the state’s tax data, a data analytical tool may also improve; reporting for auditing purposes, detecting data anomalies and root cause analysis, reducing the tax gap, or the difference between the tax amount owed and the tax revenue collected, and developing reports more efficiently.

⁸“Retail Sales Report”, <<https://www.colorado.gov/pacific/revenue/retail-sales-report>>, accessed October 17, 2019.

The working group found that procuring a data analytical tool may be a feasible solution to increase the reporting capabilities of both ORA and the taxation division without increasing staff, while benefiting numerous tax report stakeholders. However, OIT and DOR must continue to evaluate available options since new software tools come with additional costs and risks directly related to protecting and maintaining the tool(s) and the data processed and stored outside of the GenTax system.

Recommendations. JTC staff recommends that DOR continue to collaborate with OIT to assess the GenTax architecture in order to determine the optimal solution for improving tax reporting. JTC staff also recommends DOR conduct market research and reach out to states that use GenTax to research the results of their reporting tools and capabilities. While JTC staff recognizes that some outstanding report requests cannot be produced due to taxpayer burden, JTC staff recommends that the department provide an update to the JTC on or before December 1, 2020, describing any improvements in its tax reporting and data analytics.

External Assessment

Background. Pursuant to SB 19-248, the working group was tasked with recommending whether or not an external assessment of the state tax system was necessary.

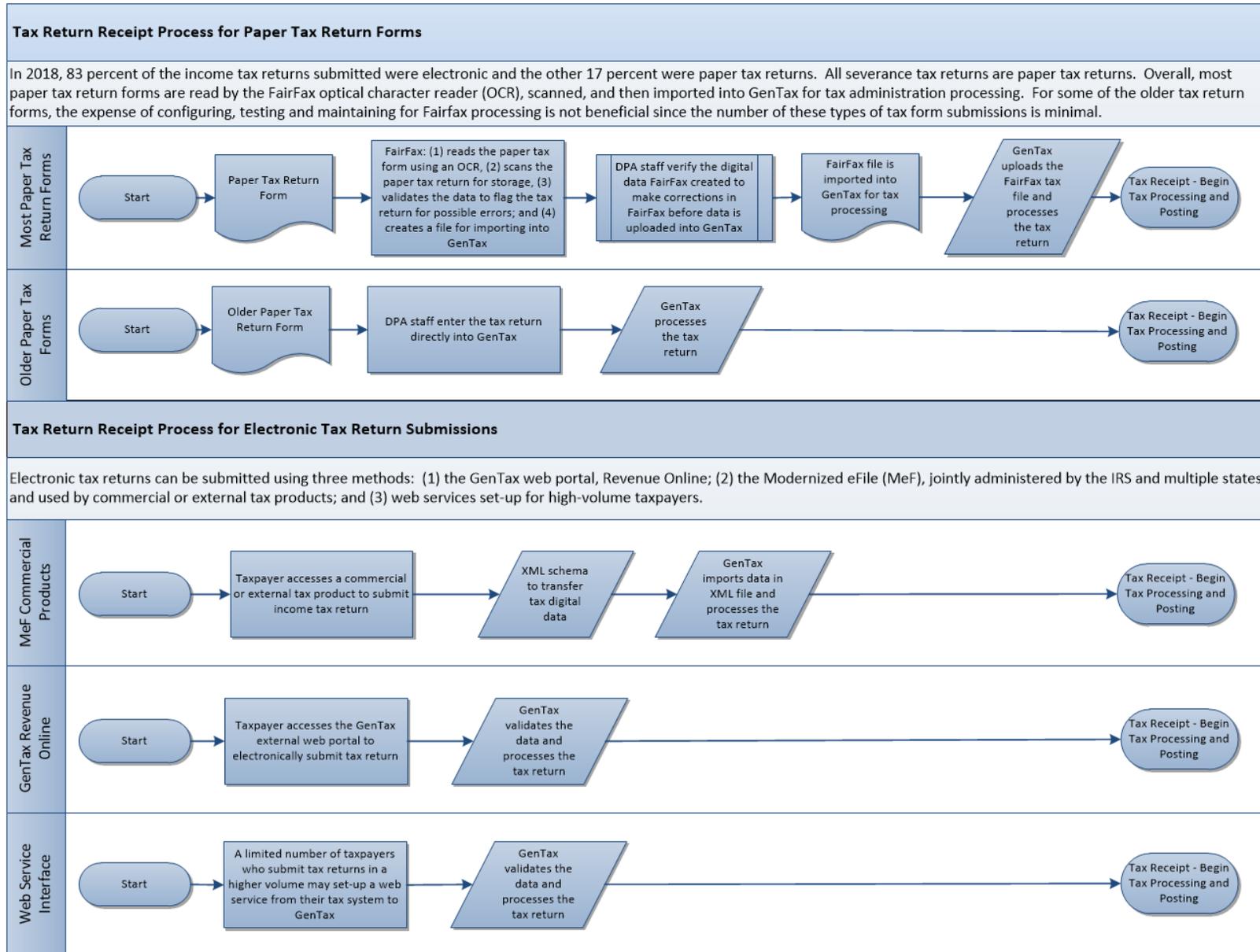
Findings. The working group determined that an external assessment of GenTax is necessary to better understand the system. DOR began procuring a vendor to conduct an external assessment by releasing a Document Quote (DQ) in September 2019. The assessment commenced in early October 2019, and a final report will be submitted and presented to DOR in November 2019.

The vendor will provide a comprehensive assessment of critical DOR software systems and best practices (see Attachment D, Documented Quote). The two critical DOR software systems to be evaluated in this assessment are the GenTax system and the Colorado Driver License, Record, Identification, and Vehicle Enterprise Solution (DRIVES). DRIVES replaced the legacy Driver License System and Colorado State Titling and Registration System in February 2017 and in August 2018, respectively. The primary objectives of the assessment are:

- assessing the current state of the GenTax and DRIVES systems;
- comparing DOR systems with other state systems;
- completing a list of best practices for managing these systems; and
- recommending enhancements or replacements of or within the systems.

Recommendations. JTC staff recommends that DOR provide the JTC a copy of the final assessment, along with a briefing, by July 1, 2020.

Attachment A Colorado Tax Return Submission and Receipt Process



Source: Legislative Council Staff

Attachment B - DOR's Tax Reports Delivered by ORA in FY 18-19

Report	Frequency	Number of Reports	Time/Per Report	Statutory Requirement	Source Data	Does this Report Depend on GenTax?	Link to Posted Reports
Ad-hoc Legislative	Ad-hoc	63	Hours - Weeks	NA, but needed for fiscal notes and policy decisions	Gentax - database tables	Yes	Delivered direct to customer
Ad-hoc DOR/Executive Branch	Ad-hoc	142	Hours - Weeks	NA, but needed for management decisions	Gentax - database tables	Yes	Delivered direct to customer
Ad-hoc All Other	Ad-hoc	244	Hours - Weeks	NA	Gentax - database tables	Yes	Delivered direct to customer
Coal Index report	Monthly	12	Hours	§39-29-106(5)	BLS	No	https://www.colorado.gov/pacific/tax/severance-tax-legal-research
Federation of Tax Administrators Report	Monthly	12	Hours	NA	CORE	Yes	Delivered direct to customer
General Fund - Final	Monthly	12	Hours	NA	CORE, AFS data	Yes	https://www.colorado.gov/pacific/revenue/general-fund-net-tax-collections
General Fund - Preliminary	Monthly	13	Hours	NA, however OSPB and LCS require this data for their forecasts	CORE, GenTax - cube report, AFS data	Yes	Delivered direct to customer
Liquor Report	Monthly	9	Hours	NA	GenTax - database tables	Yes	https://www.colorado.gov/pacific/revenue/colorado-liquor-excise-taxes
Marijuana Sales (2 reports)	Monthly	24	Hours	NA	GenTax - database tables	Yes	https://www.colorado.gov/pacific/revenue/colorado-marijuana-sales-reports
Marijuana Tax Data (4 reports)	Monthly	48	Hours	NA	CORE, GenTax - database tables and cube report	Yes	https://www.colorado.gov/pacific/revenue/colorado-marijuana-tax-data
Out-of-State Retailer Sales Tax Report	Monthly	1	Hours	NA	GenTax - cube report	Yes	Delivered direct to customer
Severance Tax Monthly Collections Report - Final	Monthly	12	Hours	NA	CORE	Yes	Delivered direct to customer
Severance Tax Monthly Collections Report - Preliminary	Monthly	12	Hours	NA	CORE	Yes	Delivered direct to customer
Tobacco Tax Data Monthly Report	Monthly	12	Hours	NA	CORE, AFS data	Yes	Delivered direct to customer
Voluntary Contributions Report	Monthly (February through October)	9	Hours	§39-22-1001(9)	GenTax - report	Yes	https://www.colorado.gov/pacific/revenue/voluntary-contributions
FHWA and State Monthly Motor Fuel Report	Quarterly	4	Days	Federally Required	COFTS, IFTA, CORE, GenTax - reports	Yes	https://www.colorado.gov/pacific/revenue/colorado-motor-fuel-taxes
Marijuana Average Market Rate Calculation	Quarterly	4	Days	§39-28.8-101(1.5)	Metric	No	https://www.colorado.gov/pacific/tax/marijuana-taxes-file
Marijuana Excise Tax Reports for Local Governments	Quarterly (some Ad Hoc)	38	Hours	§39-28.8-302(3)	GenTax - database tables	Yes	Delivered to DOR Local Government Liaison for distribution
Oil & Gas Ad Valorem Report	Quarterly	4	Hours	NA	GenTax - database tables	Yes	Delivered direct to customer
AFS Long Term Economic Estimate	Annual	1	Months	State Fiscal Procedures Manual, Chapter 3, section 3.3	GenTax - cube report	Yes	Internal DOR use only

Attachment B - DOR's Tax Reports Delivered by ORA in FY 18-19

Report	Frequency	Number of Reports	Time/Per Report	Statutory Requirement	Source Data	Does this Report Depend on GenTax?	Link to Posted Reports
AFS Short Term Economic Estimate	Annual	1	Months	State Fiscal Procedures Manual, Chapter 3, section 3.3	GenTax - cube report, AFS Net Collections reports from CORE	Yes	Internal DOR use only Internal DOR use only
AFS Wage Withholding Estimate	Annual	1	Weeks	State Fiscal Procedures Manual, Chapter 3, section 3.3	GenTax - cube report	Yes	https://www.colorado.gov/pacific/revenue/annual-report https://www.colorado.gov/pacific/revenue/annual-report
Annual Report - Table generation for Taxation	Annual	1	Months	§24-1-136 or §24-35102	CORE	Yes	
Annual Report - Table generation for AFS	Annual	1	Months	§24-1-136 or §24-35102	CORE	Yes	
Average Taxes Paid (Inside of Individual Income Tax Form Booklet)	Annual	1	Months	§24-35-108.5	BLS Consumer Expenditure Survey, variety of 3rd Party sources; DRIVES, GenTax/IRS blended data, SSA	Yes	https://www.colorado.gov/pacific/tax/individual-income-tax-instructions-and-forms Internal DOR use only Delivered direct to customer
Bioscience Fund - SB11-47 Withholding Transfer	Annual	1	Hours	39-22-604.3(5)	GenTax - database tables	Yes	https://www.colorado.gov/pacific/revenue/statistics-income
Child Care Credits for CDHS	Annual	1	Hours	Statutory for CDHS	GenTax - database tables	Yes	Internal DOR use only Delivered direct to customer
Colorado Statistics Of Income - Individual	Annual	1	Months	§39-21-303	GenTax - database tables, IRS data	Yes	Delivered direct to customer
Commercial Vehicle Investment Tax Transfer Amount	Annual	1	Hours	§42-1-225	GenTax - database tables	Yes	https://www.fhwa.dot.gov/policyinformation/motorfuelhwy/trustfund_cfm
DOLA Annual Severance Tax Report	Annual	1	Hours	39-21-113(18)	GenTax	Yes	Delivered direct to customer
Enterprise Zone Credit report to OEDIT	Annual	1	Weeks	§39-30-111	GenTax - database tables	Yes	https://www.colorado.gov/pacific/tax/individual-income-tax-legal-research https://www.colorado.gov/pacific/tax/corporate-income-tax-legal-research https://www.colorado.gov/pacific/tax/partnership-income-tax-legal-research
FHWA Annual Motor Fuel Reporting	Annual	1	Days	Federally Required	COFTS, IFTA, CORE, GenTax - reports	Yes	https://www.colorado.gov/pacific/tax/property-tax-rent-heat-credit-ptc-rebate-forms
FHWA Prior Year Motor Fuel Verification	Annual	1	Hours	Federally Required	IFTA	No	https://www.colorado.gov/pacific/tax/property-tax-rent-heat-credit-ptc-rebate-forms Delivered direct to customer
Index Probate Levels	Annual	1	Hours	§15-10-112	BLS	No	
Index PTC (Property Tax Credit)	Annual	1	Hours	§39-31-101(2)	BLS	No	
Lodging Tax Summary	Annual	1	Hours	NA	GenTax - database tables	Yes	

Attachment B - DOR's Tax Reports Delivered by ORA in FY 18-19

Report	Frequency	Number of Reports	Time/Per Report	Statutory Requirement	Source Data	Does this Report Depend on GenTax?	Link to Posted Reports
TABOR report/letter	Annual	1	Days	§39-22-2002(4), §39-22-627(2), §39-22-123 (4)(c)	GenTax - database tables	Yes	Delivered direct to customer
Unlicensed Child Care Facilities List	Semi-Annual (January and July)	2	Hours	NA	GenTax - database tables	Yes	FYI Income (next to FYI Income 35 - Child Care Contribution Credit) https://www.colorado.gov/pacific/tax/fyi-publications-income-tax Income Tax -- Credits (Child Care Contribution Credit) https://www.colorado.gov/pacific/tax/income-tax-credits Individual Income Tax -- Instructions and Forms (next to DR 1317) https://www.colorado.gov/pacific/tax/individual-income-tax-instructions-and-forms Tax Forms by Number (DR 1317) https://www.colorado.gov/pacific/tax/forms-number-order
Colorado Statistics Of Income - Corporate	Even years	1	Months	§39-21-303	GenTax - database tables, IRS data	Yes	https://www.colorado.gov/pacific/revenue/statistics-income
Tax Profile and Expenditure Report - Alcohol Taxes Expenditure Study	Even years	1	Months	§39-21-303 §39-21-305(2)(b)	GenTax - database tables	Yes	https://www.colorado.gov/pacific/revenue/colorado-tax-profile-and-expenditure-reports
Tax Profile and Expenditure Report - Cigarette and Tobacco Excise Tax Expenditure Study	Even years	1	Months	§39-21-303 §39-21-305(2)(b)	GenTax - database tables	Yes	https://www.colorado.gov/pacific/revenue/colorado-tax-profile-and-expenditure-reports
Tax Profile and Expenditure Report - Fuel Excise Taxes Expenditure Study	Even years	1	Months	§39-21-303 §39-21-305(2)(b)	COFTS, ORA data files for monthly FHWA motor fuel reporting	Yes	https://www.colorado.gov/pacific/revenue/colorado-tax-profile-and-expenditure-reports
Tax Profile and Expenditure Report - Income Tax Expenditure Study	Even years	1	Months	§39-21-303 §39-21-305(2)(b)	GenTax - database tables	Yes	https://www.colorado.gov/pacific/revenue/colorado-tax-profile-and-expenditure-reports
Tax Profile and Expenditure Report - Sales and Use Taxes Expenditure Study	Even years	1	Months	§39-21-303 §39-21-305(2)(b)	GenTax - database tables	Yes	https://www.colorado.gov/pacific/revenue/colorado-tax-profile-and-expenditure-reports
Tax Profile and Expenditure Report - Severance Taxes Expenditure Study	Even years	1	Months	§39-21-303 §39-21-305(2)(b)	GenTax - database tables	Yes	https://www.colorado.gov/pacific/revenue/colorado-tax-profile-and-expenditure-reports
Tax Profile and Expenditure Report - Colorado Tax Profile Study	Even years	1	Months	§39-21-303; §24-35-108.5	Average Taxes Paid, US Census	Yes	https://www.colorado.gov/pacific/revenue/colorado-tax-profile-and-expenditure-reports
Withholding Tables for Income Tax	Odd years, or more if there are federal changes	1	Weeks - Months	§39-22-604(3)(a)	IRS forms	No	https://www.colorado.gov/pacific/tax/fyi-publications-withholding-tax

Attachment C - SUMMARY - DOR's Outstanding Tax Report Requests (as of 7-19-2019)

Report/Data	Steps completed for tax return reporting (in order) <i>Responsible party</i>					Existing barriers <i>Yes (Y)/No (N)</i>				Solution			Costs of solution <i>Y/N</i>				Requester			Provide back year data? <i>Y/N</i>	
	1. Collect data	2. Capture data	3. Return map	4. Database map	5. Develop report	Opportunity costs	GenTax costs (\$)	Personnel costs (FTE)	Taxpayer burden	Not statutorily required	Difficulty <i>(Easy, Mod, Hard)</i>	Steps	Timescale <i>(once prioritized)</i>	DOR LOE	FAS T LOE	DPA LOE	Fairfax LOE	Who	Need		Priority <i>(Low, Med, High)</i>
	<i>DOR</i>	<i>Many</i>	<i>DOR, FAST</i>	<i>DOR, FAST</i>	<i>DOR</i>																
Sales Reports	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Y	N	Y	N	Y	Mod	1. Obtain and/or prioritize resources 2. Develop report	Months	ORA: Y	N	N	N	LCS, OSPB, GA, DOLA, CML, local governments, researchers, media, general public	Informs understanding of regional economic activity; improves revenue forecasting; informs evaluations of the regional impacts of policy decisions		Y
Unclaimed Credits (Outstanding Liability)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Y	Y	Y	Y	Y	Hard	1. Obtain and/or prioritize resources 2. Change tax return forms (add lines) 3. Build GenTax credit manager 4. Capture data 5. Return map 6. Database map 7. Develop report	Years	ORA: Y SSO: Y TAX: Y AFS: Y	Y	Y	Y	LCS, OEDIT, OSA, DOR	Improves fiscal note analyses of tax expenditures; informs tax management; informs policy decisions		N
Oil & Gas Severance Tax Deductions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Y	Y	Y	N	Y	Hard	1. Obtain and/or prioritize resources 2. Convert paper form to electronic 3. Return map 4. Database map 5. Develop report	Years	ORA: Y SSO: Y TAX: Y	Y	N	N	LCS, OSPB, DOLA, DNR, GA, researchers, media, and the general public	Improves severance tax revenue forecasting used to fund state agencies; informs policy decisions		N
Tax expenditure data that is <i>not currently itemized on a form</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Y	Y	Y	Y	Y	Hard	1. Obtain and/or prioritize resources 2. Change tax return forms (add lines) 3. Capture data 4. Return map 5. Database map 6. Develop report	Years	ORA: Y SSO: Y TAX: Y	Y	Y	Y	LCS, OSA, GA	Improves fiscal note analyses of tax expenditures; informs evaluations of tax expenditures for policy decisions		N
Tax expenditure data that is on a form, but <i>not currently database mapped</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Y	Y	N	N	Y	Easy	1. Obtain and/or prioritize resources 2. Database map 3. Develop report	Weeks	ORA: Y SSO: Y	Y	N	N	LCS, OSA, GA	Improves fiscal note analyses of tax expenditures; informs evaluations of tax expenditures for policy decisions		Y
All supporting documentation for tax expenditures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Y	Y	Y	Y	Y	Hard	1. Obtain and/or prioritize resources 2. Require documentation be submitted 3. Capture data 4. Return map 5. Database map 6. Develop reports	Years	ORA: Y SSO: Y TAX: Y	Y	Y	Y	OSA	Informs evaluations of tax expenditures for policy decisions		N
Corporate income tax return data by industry	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Y	Y	Y	N	Y	Mod	1. Obtain and/or prioritize resources 2. Return map 3. Database map 4. Develop report	Months	ORA: Y SSO: Y TAX: Y	Y	N	N	LCS, OSA	Informs understanding of economic activity; improves fiscal note analyses; improves revenue forecasting; informs evaluations of tax expenditures for policy decisions		Y
Individual income tax return data by age for all income tax years	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Y	Y	Y	N	Y	Easy	1. Obtain and/or prioritize resources 2. Database map 3. Develop report	Weeks	ORA: Y SSO: Y	Y	N	N	LCS, OSA	Informs understanding of economic activity; improves fiscal note analyses; improves revenue forecasting; informs evaluations of tax expenditures for policy decisions		Y

Attachment C - KEY - DOR's Outstanding Tax Report Requests (as of 7-19-2019)

Definitions and additional information:	Abbreviations:
Steps completed for tax return reporting (in order):	Solution Providers:
<p>1. Collect data: Information is requested on a form and required to be submitted to DOR. If the data is not collected, it is not available for reporting or tax administration.</p> <p>2. Capture data: Select fields from the forms and convert into a format that can be input into GenTax. If the data is not captured, it cannot be input into GenTax. This step is applied to paper and electronic forms.</p> <p>3. Return map: Build the GenTax user interface to include the captured data and load the data into GenTax. If data is not return mapped, DOR staff cannot view it in GenTax for tax administration needs.</p> <p>4. Database map: Write the return mapped data to the database. If data is not database mapped, it is not available for reporting.</p> <p>5. Develop report: This involves multiple steps including: researching the data availability, database structure, and table relationships; consult with internal subject matter experts about data questions; developing custom queries to pull the data from the database; extracting, organizing, and formatting the data; evaluating which data can be reported based on taxpayer confidentiality requirements.</p>	<p>DPA: Department of Personnel and Administration - Manage paper form processing and contract with Fairfax</p> <p>Fairfax: Paper form imaging vendor</p> <p>FAST: FAST Enterprises - The GenTax software vendor</p> <p>ORA: DOR's Office of Research and Analysis - they complete most of the tax data reporting</p> <p>SSO: DOR's Systems Support Office - they work with the vendors to support all GenTax and Fairfax system changes</p> <p>TAX: DOR's Taxation Division - includes Taxpayer Services, Auditing and Compliance, Tax Policy Analysis, Tax Conferee, Tax Communications</p>
Responsible party:	Requesters:
<p>Many = Fairfax (paper), DOR (paper/electronic), Tax software (electronic), FAST (Revenue Online) Existing barriers:</p>	<p>CML: Colorado Municipal League</p> <p>DOLA: Department of Local Affairs</p> <p>DNR: Department of Natural Resources</p> <p>GA: General Assembly</p> <p>LCS: Legislative Council Staff</p> <p>OEDIT: Office of Economic Development and International Trade</p> <p>OSA: Office of the State Auditor</p> <p>OSPB: Office of State Planning and Budgeting</p>
<p>Opportunity costs: If we prioritize one thing, we would have to give up something else (e.g., implementing changes required by new legislation; maintenance; operations affecting tax administration and/or customer service)</p> <p>GenTax costs (\$): These reports have not been completed because we do not have sufficient GenTax programming funding (\$).</p> <p>Personnel costs (FTE): These reports have not been completed because we do not have sufficient personnel (FTE).</p> <p>Taxpayer burden: Generally, requiring additional data to be reported on tax forms increases taxpayer burden. This additional burden can manifest in many ways including, but not limited to: individuals require increased time to complete a tax return; tax software vendors must reprogram their systems to collect the additional information; retailers have to adjust their point of sale systems to collect additional information; cashiers may have to ask purchasers to provide additional information.</p>	
Difficulty of solution:	
<p>The difficulty was determined by the number of missing steps and the timescale to implement the solution.</p> <p>Easy: There are 1-2 missing reporting steps and/or it would take weeks to provide the report.</p> <p>Mod: There are 3 missing reporting steps and/or it would take months to provide the report.</p> <p>Hard: There are 4-5 missing reporting steps and/or it would take years to provide the report.</p>	



Documented Quote (“DQ”)
#DOR20001/Critical Software Systems
Assessment
Published: September 13, 2019

Attachment D

1. Administrative Information

A. Overview

The State of Colorado, Department of Revenue (“Department”) is seeking quotes from qualified individuals or firms licensed to do business in Colorado to provide a comprehensive assessment of critical DOR software systems identified below as Critical DOR Software.

B. Term of Award

The resulting award will be from date of award through June 30, 2020 with the option to renew.

The State, at its discretion, shall have the option to extend the performance under the contract beyond the initial term for a period, or for successive periods, of one year or less at the same rates and under the same terms specified in the contract. The total duration of the contract, including the exercise of any options to extend, shall not exceed five years from its Effective Date absent prior approval from the Chief Procurement Officer in accordance with the Colorado Procurement Code.

The Department reserves the right to add additional goods/services that would be a natural extension of this procurement.

C. Pricing

Pricing will be firm for the initial term of the award. Price increases may, in the Department’s discretion, be allowed per extension/renewal period. If requesting a price increase the vendor must submit a written request for price increase along with a justification, to the below listed purchasing agent thirty (30) calendar days prior to the current end date. In the event the prices have decreased, this decrease shall be immediately extended by the vendor to the Department.

All pricing must be for delivery FOB Destination. Unless otherwise specified, pricing/costs must be inclusive of administrative support, supplies, office supplies, pagers, cell phones, parking fees, meals, lodging, rents, mileage, travel expenses, training, after hours or weekend time, insurance, use of subcontractors, overhead, profit, and costs for all other items consumed, utilized, and/or required by vendor’s staff or subcontractor’s staff. Total costs proposed will be used in the evaluation of the vendor’s bid. All hardware and software deemed necessary by the vendor shall also be included in the proposed costs. Items or costs not identified in the vendor’s bid will be the sole responsibility of the vendor.

D. Sole Point of Contact

The Department’s sole point of contact for this DQ is:

Seth Meisinger, Senior Purchasing Agent
Colorado Department of Revenue
Purchasing and Contracts Services
Phone: 303-866-2812
[Email: seth.meisinger@state.co.us](mailto:seth.meisinger@state.co.us)

The preferred method of communication is by email. All email correspondence should include “DQ #DOR20001/Critical Software Systems Assessment” in the subject line.

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E. Schedule of Activities

Activity	Date/Time
Published Date	September 13, 2019
Inquiries	September 16, 2019
Bid Submission Deadline	September 18, 2019

Solicitation Publication and Communication

The DQ has been published on the Colorado Vendor Self Service (“VSS”) website at [Colorado VSS](#). Vendors should monitor VSS for any updates or modifications. In the event that it becomes necessary to revise any part of this DQ, a modification notice will be published on VSS. It is very important that vendors check VSS on a regular basis, as this is the sole method for communicating any changes. Modifications published on VSS take precedence over information in this DQ.

VSS Help Desk is available Monday through Friday 8:00 a.m. to 5:00 p.m. MT and can be reached by calling (303)-866-6464 or emailing VSSHelp@state.co.us.

F. Inquiries

Inquiries shall be submitted in writing by the Inquiries Deadline via email to the purchasing agent containing “DQ #DOR20001/Critical Software Systems Assessment” in the subject line.

Inquiries will be compiled and responses will be published on VSS as a modification.

G. Bid Submission Instructions

The bid must be submitted via email to the purchasing agent in an electronic PDF format. The email must contain “DQ #DOR20001/Critical Software Systems Assessment” in the subject line.

A bid must be received on or before the Bid Submission Deadline. Late bids may not be accepted by the Department.

H. Evaluation and Award

There will be no scheduled public bid opening.

The Department may determine whether or not a response meets the Department’s needs and pricing is fair and reasonable. The Department may negotiate with vendor(s) to make bid (s) acceptable. The Department reserves the right to negotiate with any vendor to clarify its quote or to effect modifications that will make the bid acceptable or make the bid more advantageous to the Department. The Department shall not disclose competing vendor bid information until after award.

The Department reserves the right to request interviews/demonstrations with any vendor prior to making an award.

Award will be made to the vendor whose response is most advantageous to the Department, price/cost being the primary consideration. Other considerations may include, but may not be

Attachment D

limited to, experience and qualifications of vendors, and past performance. The determination of whether the bid is acceptable and meets the minimum requirements of the DQ is solely within the discretion of the Department. No formal evaluation system or methodology is required for any DQ process.

The Department prefers to award to a single vendor; however, the Department reserves the right to make multiple awards from this DQ if in the best interest of the Department.

After responses have been reviewed, an award will be published on VSS.

I. Standard Terms and Conditions

A sample contract is attached to this DQ. (See Attachment A, Sample Contract) Modifications to these terms and conditions may not be accepted.

By submitting a response, the vendor acknowledges that an award will require a contract between the Department and the vendor, with no modifications. If the vendor submits any modifications the Department may deem this as non-acceptance of the contract and may disqualify vendor from further consideration. The vendor shall include in its response any proposed modifications or additional terms and conditions. The decision to reject, accept or further negotiate is at the Department's discretion. The Department, at its sole discretion, may propose modifications.

J. Scope of Work

The Vendor shall provide an assessment of critical DOR software systems and best practices for management, maintenance and continuous improvement used in similar systems around the country. The department estimates roughly 200 hours will be needed in total for these services with a deadline of November 15 for a report and presentation to DOR management of results.

In the agency's desires for continuous improvement, DOR has embarked on this analysis effort to gain a better understanding of the variables and options influencing decisions to maintain, enhance or if needed, replace critical DOR software systems. DOR software is used to help deliver a variety of services, and we seek to make them highly efficient, secure, and scalable to support the various missions of each division. These systems are an integral part of the effective delivery of services at the state and county level and must meet federal reporting requirements that support a funding model with significant cost-benefits to the state.

The primary objectives of the analysis effort are to:

- Assess the current state of critical DOR software systems
 - How are they performing?
 - What are the biggest challenges?
- Compare DOR systems with a select group of other states using similar systems
 - How do other states use the system, similarly or differently?
 - How do they compare with DOR use?
 - What are their challenges and best practices?
- Present a list of best practices that could be adopted at DOR
 - Are there best practices that DOR could adopt?
 - What might be a prioritized list (roadmap) for adoption?
 - What method of adoption would be suggested?
 - What costs might be associated with adoption?
- Suggest enhancements or replacement of critical systems if warranted
 - Why would a system be in need of replacement?

Attachment D

- o What would be an analysis framework with which we could make decisions on the future of a system?

Critical DOR software systems are supported by a diverse group of individuals comprised of the various departments that operate the system and a limited group of state staff working cooperatively with various vendor's that develop and maintain the systems. You would be authorized to talk with vendors and support staff within DOR to assess the condition of the system.

1. Project Timeline

This project is expected to commence in early October, 2019, and finish mid-November, 2019

- Week 1 (40 hours): Work with DOR staff to fine-tune the scope of work and deliverables to be mutually agreed
- Week 2-4 (120 hours): Research and analyze along the scope of work
- Week 5 (20 hours): Work with DOR staff to finalize and review results
- Week 6: (20 hours): Produce and present a report of findings to DOR leadership

2. Experience and Qualifications

The desired experience and qualifications of the vendor or vendor personnel includes:

Having experience with:

- Government software systems
- Performing comprehensive assessments and analyses of State technical systems
- Producing third-party vendor analysis
- Governance processes and structures that depict roles and responsibilities, Key Performance Indicators (KPIs), compliance and risk mitigation, analysis within each assessed support model

Possessing:

- Project management skills to execute on time and meet the budget.
- People management skills to be able to get the needed information without undue burden on employees or other state workers
- Collaboration skills to work with DOR leadership, staff and other States, have everyone willing to discuss and participate in this analysis
- Analytical skills to assess key factors and processes and their affects
- Reporting skills to complete a report that is easy to read and succinctly conveys the key points of findings (a background in audit is helpful)
- Communication and presenting skills to convey the findings to leadership

K. Bid Response Format and Content

The purpose of this section is to specify a format for a bid response.

1. Service Disabled Veteran Owned Small Businesses (SDVOSB)
SDVOSBs must submit documentation of SDVOSB certification issued through the U.S. Department of veterans affairs in their response. §24-103-905 CRS sets a SDVOSB goal of at least 3% of all contracts by dollar value be awarded to SDVOSBs who must be incorporated or organized in Colorado or they must maintain a place of business or have an office in Colorado and must be officially registered and verified as

Attachment D

a SDVOSB by the Center for Verification and Evaluation within the United States department of veterans affairs. See www.vip.vetbiz.gov.

2. Cover Letter

Vendor shall include the following information on company letterhead:

- a. Introduction of company
- b. Contact information, name, address, phone number and email
- c. General overview of response
- d. List key personnel that will be assigned
- e. Description of any services under a resulting purchase order or contract, including subcontracts anticipated to be performed outside the United States or Colorado. If any, identify where the services will be performed and explain why these services will be performed outside of the United States or Colorado.

3. Project Plan

- a. Submit a Project Plan describing your methodology and approach for this project.
- b. Propose deliverables associated with the project based on your project plan, to include a timeline for completion of each deliverable.

4. Sample Report

Provide a sample report for similar services performed.

5. Experience

Provide details for experience with the following:

- a. Government software systems
- b. Performing comprehensive assessments and analyses of State technical systems
- c. Producing third-party vendor analysis
- d. Governance processes and structures that depict roles and responsibilities, Key Performance Indicators (KPIs), compliance and risk mitigation, analysis within each assessed support model

6. Pricing

- a. Submit a firm, fixed price for the review, analysis, report and presentation of summary information to the Department along with estimated total hours needed to complete. Pricing shall include all fees, costs and expenses, including, but not limited to, labor costs, travel expenses, parts, service, repair, removal, replacement, mileage charges, supplies, mailing charges, installation, testing, communications, order and order tracking, reporting, debugging, analysis, delivery charges and other expenses.
- b. In addition to the firm, fixed price, provide a blended hourly rate for additional services if needed.