



**State of Montana**  
**Department of Revenue**

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**2012 Agency Biennial IT Report**  
**Fiscal Year 2011-2012**

August 2012

# TABLE OF CONTENTS

**EXECUTIVE SUMMARY .....1**  
**SECTION 1: AGENCY IT PLAN ACCOMPLISHMENTS – GOALS & OBJECTIVES .....2**  
**SECTION 2: IT INITIATIVES STATUS UPDATES.....10**  
**SECTION 3: ADDITIONAL INFORMATION - OPTIONAL .....11**

## EXECUTIVE SUMMARY

The 2010 Department of Revenue (DOR) Strategic Plan includes one initiative and three goals with 16 supporting objectives. Initiative 1 – Ongoing System Maintenance and Support was funded and is ongoing by design as it is funding for DOR’s two COTS products for tax processing – GenTax and Orion.

<b>Initiative Status</b>	<b>Total</b>	<b>Fully Funded</b>	<b>Unfunded</b>	<b>Partially Funded</b>
Completed				
Substantially Completed				
Deferred				
Delayed				
Cancelled				
Remain on-going by design	1	1		

# SECTION 1: AGENCY IT PLAN ACCOMPLISHMENTS – GOALS & OBJECTIVES

## **ITG 1 Partner with the department’s business units in identifying and implementing appropriate, efficient, cost-effective technology solutions.**

Description: Ensure Montana citizens and businesses are served through responsible, appropriate investment in, and implementation of, IT resources.

Benefits: The department is best positioned to meet its statutory responsibilities and performance objectives.

This goal supports the following State IT Strategic Plan objectives:

- Objective 1-1: Develop IT resources in an organized, deliberative, cost-effective manner.
- Objective 1-2: Utilize IT best practices to implement and manage information technology systems in a coordinated manner.
- Objective 1-4: Assure planning, development, and implementation of new information technology resources is conducted in conjunction with budget development and approval.
- Objective 1-6: Continue to encourage and promote the use of innovative technologies for delivering government services.

### **Supporting Objective/Action**

#### **ITO 1-1 Expand and enhance e-services**

Business Requirement: The need for improved and enhanced electronic services for Montana citizens and businesses; to provide access to online unclaimed property filing and online auctions for unclaimed property held by the state; to provide counties online file-and-pay options for centrally assessed taxes; and to provide citizens secure and convenient mobile file-and-pay options for wireless devices.

Benefits: Wide-spread use of electronic services will increase accuracy and efficiency in returns processing resulting in improved citizen service. These services make complying with tax regulation less burdensome thus improving voluntary compliance; provide a convenient means for citizens to claim their abandoned property; result in better market values received for auctioned property thus maximizing revenues to the general fund; and reduce tax processing by enabling citizens to file or pay taxes using wireless devices.

Anticipated risks: inability to improve public understanding of Montana’s revenue system and the services the department provides; delayed implementation; cost of payment portal; FTE to support e-services

Timeframe for completion: FY11/FY12/FY13

Measures of completion: Electronic filing and payment options available for all appropriate tax types.

Accomplishments: The department continues to add file and pay options on a regular basis. Also added the ability to pay income taxes via mobile application.

Status: On-going by design, still in progress is unclaimed property and liquor.

### **Supporting Objective/Action**

#### **ITO 1-2 Continued Support of the Governor’s 20 X 10 initiative**

Business Requirement: The need for greater environmental responsibility and reduced nonrenewable resource consumption.

Benefits: reduction in costs through reduced energy usage and an improved environment.

Anticipated risks: Initial cost; ROI – energy, staff, travel time, ongoing costs

Timeframe for completion: On-going

Measures: Permanently adopted environmentally responsible procurement and implementation practices

Accomplishments: Downsized the number of desktop printers; settings on computers to save energy; implemented energy efficient power supplies; implemented video conferencing capability statewide, implemented server virtualization and reduced the number of physical servers. Implemented Microsoft's SCSM (System Center Service Manager) and SCOM (System Center Operations Manager) for remote management of desktops, deployment of department applications from a central repository, hardware and software asset management.

Status: Ongoing by design, DOR continues to look for ways to save on all resources.

### **Supporting Objective/Action**

#### **ITO 1-3 Implementation of electronic collaboration technologies**

Business Requirement: The need to make state-wide information sharing and training more effective, productive, safe, and cost effective.

Benefits: Meetings held using electronic collaboration technologies, rather than in-person, will not only be more energy efficient but will provide for improved productivity, communications, education and training, and reduced travel time. There is significant potential for more productive and more frequent collaboration with state-wide employees and other entities. Eventually, the service can be made available to citizens and businesses that have matters or issues pending with the department leading to additional cost reduction while improving communication with Montana citizens.

Anticipated risks: cost; telecom and bandwidth capacity issues; training; IT support;

Timeframe for completion: FY12

Accomplishments: County office bandwidth upgraded and Polycom video conferencing units and Microsoft LYNC distributed statewide.

Status: Ongoing by design.

### **Supporting Objective/Action**

#### **ITO 1-4 Improve efficiency, service, and taxpayer confidentiality through imaging technology**

Business Requirement: The need to manage the flow of paper documents throughout the agency; process refunds more timely; reduce data security risk associated with physical transportation of paper documents; improve compliance activities; and make information more rapidly and readily available to decision and policy makers.

Benefits: While it continues to reduce paper returns through electronic filing, the department, nevertheless, devotes significant resources moving, retrieving, and storing paper documents to facilitate compliance activities. Physical transport of paper documents to and from off-site facilities includes a heightened risk of disclosure of confidential state tax documentation. Imaging and workflow will greatly enhance the department's ability to protect confidential taxpayer information while improving its overall efficiency in compliance activities, returns processing and error correction, and overall service to the taxpayer. Ongoing implementation includes dynamic two-dimensional bar coding to extend the benefits of efficient tax return processing, faster taxpayer refunds, enhanced information for legislative decision making, and increased tax revenues from compliance. Further, implementation in the Property Assessment Division (PAD) will improve property valuation activities and property tax administration. The efficiencies realized in PAD would accommodate the future growth of parcels in the state and minimize the need to increase staff.

Timeframe for completion: FY12/FY13\

Measures: Successful implementation of scanning and imaging system department-wide.

Accomplishments: Over 100 different form pages are scanned, and either data is captured or image is

stored.

Status: Original scope of project is complete, disaster recovery phase in progress and other pages continue to be reviewed for implementation.

### **Supporting Objective/Action**

#### **ITO 1-5 Records and information management**

Business Requirement: The Montana Department of Revenue is responsible for the administration, security and confidentiality of state tax documentation, in both physical and electronic formats dictating the necessity for a centralized records management function. The department has not established department-wide, routine inventory and disposition practices for all of its records and does not have department-wide records management practices and policies. As a result, it may not be meeting its statutory requirements and may be subject to security risks.

Benefits: Enables the department to better manage document and records retention; address security issues related to capturing confidential taxpayer data.

Anticipated risks: Delayed implementation; IT support; training; FTE; cost

Timeframe for completion: FY12/FY13

Measures: Successful records management system implementation

Accomplishments: Records management assessment complete, need funding to continue progress; implementing HB103 which allows the electronic document to be the legal document.

Status: Minimal progress being made due to funding.

### **Supporting Objective/Action**

#### **ITO 1-6 Expand implementation and use of electronic compliance tools**

Business Requirement: The need to implement data and statistical analysis tools to maximize the validity and reliability of cross-matching and compliance activities using data from GenTax, Orion, IRS, and other DOR sources.

Benefits: Ensures, to the greatest extent possible, that every taxpayer pays their fair share and enables the department to close the tax gap and properly administer the tax laws. Ensures a level playing field to support equal competition in the marketplace and equitable economic development opportunities. Provides better valuation and helpful information for investors and real estate transactions.

Anticipated risks: Delayed implementation; IT support; training; FTE; cost

Timeframe for completion: FY11

Measures: Successful implementation of data and statistical analysis tools that measurably enhances compliance.

Accomplishments: SAS implementation; DART, SSRS.

Status: Ongoing implementation due to each specific department needs.

### **Supporting Objective/Action**

#### **ITO 1-8 Improve customer service through a redesigned DOR website**

Business Requirement: The need to improve public understanding of Montana's revenue system and the services the department provides and to make on-line interaction with the department more efficient, productive, and informative for the taxpayer.

Benefits: Improved voluntary compliance and improved quality of service to citizens of Montana. As the department expands and enhances e-services, a user friendly web site will encourage greater participation in all the e-services provided by the department. Supports the department's mission by designing a user-

friendly, citizen-centric DOR Web site.

Anticipated risks: Delayed implementation; ITSD support; training; FTE;

Timeframe for completion: FY11/FY12

Measures: Redesigned Web site available to the public

Accomplishments: Implemented ease of use links.

Status: Substantially complete, but ongoing by design.

### **Supporting Objective/Action**

#### **ITO 1-9 DOR local area network infrastructure upgrade**

Business Requirement: The department's current server environment consists of approximately 15 stand-alone servers, most running single applications. This environment equates to under-utilized hardware, wasted space, and excessive power usage. Blade servers coupled with virtualization deliver considerable value, both for the effort required in the implementation and for the hardware and software dollars spent. With this implementation, DOR not only will provide network services using less space, less power, and less cooling but will realize the added benefit of higher availability while putting a flexible, agile infrastructure in place to support our scanning, imaging, and workflow initiatives. Management tools offered both by blade server systems and virtualization software supports greater resource availability, ease of maintenance, and load balancing. Additionally, the modular hardware components have built-in hot swappable, redundant, high network availability capabilities. Moving to a Storage Area Network (SAN) strategy increases disk utilization, decreases workload, improves disaster recovery capabilities, improves overall availability, and supports server clustering. Migrating to a Microsoft Windows network operating system requires a single skill set, simplifies support, and aligns DOR with ITSD.

Benefits: Redundancy, 24X7 network availability, infrastructure to support scanning/workflow initiatives, and reduced energy consumption.

Anticipated risks: Delayed implementation; IT support; training; FTE;

Timeframe for completion: 4th Q/FY11

Measures: Blade center/SAN in full production, Windows operating system fully deployed, Novell Netware retired.

Accomplishments: Network is on current technology and located at the Helena data center.

Status: Completed.

### **Supporting Objective/Action**

#### **ITO 1-10 Orion property valuation system enhancement**

Business Requirement: The need to provide additional system functionality not covered under the vendor maintenance and support contract. Additional functionality needed includes enhancements allowing DOR to better meet local governments' data requirements; to make the valuation process more accurate, timely, and taxpayer friendly; and to support data sharing and centralization to facilitate tax administration and compliance activities

Benefits: Better, timelier delivery of certified values to local governments and service to, and communication with, taxpayers through online services for submitting information to the department. The efficiencies realized in the Property Assessment Division would accommodate the future growth of parcels in the state and minimize the need to increase staff.

Anticipated risks: Lack of management buy-in, IT support; training

Timeframe for completion: FY12/FY13

Measures: Successful deployment of automated process and availability of on-line access property owners.

Accomplishments: System enhancements have been implemented; additional functionality being requested.

Status: In progress.

### **Supporting Objective/Action**

#### **ITO 1-11 Support enterprise implementation of an identity management system**

Business Requirement: The need to better manage the security lifecycle, i.e., account creation, suspension, privilege modification, and account deletion, thus better securing DOR systems and data from unauthorized access.

Benefits: User identities are provisioned and coordinated; application provisioning is automated; user roles, privileges, and credentials are managed; administrators delegate responsibility; administrators deploy applications easily and securely; users self-manage their preferences and passwords; users have single sign-on access. Administration costs are reduced through centralized account management and automated tasks; application deployment is accelerated by enabling new applications to use the existing infrastructure to provision user accounts and privileges; time needed to grant new-user access is reduced; and security and usability is improved by centrally managing user passwords and security credentials.

Anticipated risks: Lack of management buy-in, funding, IT support; training

Timeframe for completion: FY13

Measures: Implementation recommendations are ready for presentation to department leadership

Accomplishments: Made progress in the security area, still more work to be done.

Status: Partially complete. Waiting on enterprise solution to be identified and implemented.

### **Supporting Objective/Action**

#### **ITO 1-12 Implement a consolidated application & system support model**

Business Requirement: The need to consolidate the information technology support of all Department of Revenue's automated systems within the Department of Revenue Information Technology and Processing Division (IT/PRO). Information technology support includes, but may not necessarily be limited to network, data, software and hardware security; software and hardware purchase, maintenance, development and planning; database administration; systems development and maintenance processes and procedures; business user training related to system functions and features; and vendor contracting and contract administration related to hardware, software, security or other technical support areas.

Benefits: Strengthens the physical and electronic data security and privacy safeguards by the uniform administration and application of data security and privacy rules that comply with the State of Montana and Department of Revenue standards; increases the effectiveness and efficiency of the maintenance, support and development of the department's automated systems through the implementation of standardized production support, production migration and system development processes and procedures; improves the department's long range IT planning and decision making across all divisions by incorporating the knowledge and experience of those affected divisions in all phases of the planning and budgeting processes for the IT related areas such as hardware or software; maximizes the allocation of limited DOR resources by implementing a department-wide process of identifying, prioritizing and scheduling all IT related work from small production problems to large scale system development efforts; ensures that the business and management analysts are equipped with the data analysis and reporting capabilities to meet the DOR's dynamic and complex data analysis and reporting requirements.

Anticipated risks: Lack of buy-in, IT support; training, FTE

Timeframe for completion:2<sup>nd</sup> QTR/FY11

Measures: Upgraded data security and privacy controls for all of the DOR's automated systems; standardized problem reporting process; enhanced SR prioritization process; standardized production migration process; assessment of the PAD technical environment; and a data analysis and reporting tool successfully implemented

Accomplishments: Tasks have been clearly defined for specific areas.

Status: Substantially complete.

### **Supporting Objective/Action**

#### **ITO 1-13 Upgrade GenTax version 6 to version 8**

Business Requirement: The need to maintain current technology for our Commercial-Off-the-Shelf product.

Benefits: This upgrade will improve the department's ability to collect delinquent taxes and other debt and reduce the receivables balance through enhanced financial institution data matching and other collection management tools. The upgrade will also save time and money for DOR staff, tax practitioners and taxpayers.

Anticipated risks: IT support; training

Timeframe for completion:FY12/FY13

Measures: System upgrade complete and in production

Accomplishments: Additional functionality in place, TAP forms identical to paper forms.

Status: Completed.

### ***Goal Number 2:***

#### **ITG 2 Recruit, develop and retain a high quality Information Technology workforce**

Description: Attract and retain a qualified information technology workforce through competitive pay and effective use of training.

Benefits: Enable employees to continuously improve performance and contribute to the department's efficiency and effectiveness.

This goal supports the following State IT Strategic Plan objectives:

- Objective 1-7: Implement a workforce development plan to recruit and retain a skilled and properly staffed IT workforce.

### **Supporting Objective/Action**

#### **ITO 2-1 Establish a workforce development plan**

Business Requirement: The need to recruit and retain qualified IT professionals

Benefits: Aids in the development of a more productive, competent and content workforce leading to an improved computing environment for department employees and Montana taxpayers.

Anticipated risks: High turnover and inability to fill vacancies

Objective: Address the recruitment and retention problems faced by the department due to the disparity between department IT salaries and those offered by private-sector employers and other state agencies, and

to develop well defined career paths for all applicable positions.

Supports/Implements State IT Goal: Create quality jobs

Timeframe for completion: FY12

Measures: All IT positions reviewed for accuracy in classification, with a competitive salary plan and career paths in place with HR approval

Accomplishments: Thorough review of job profiles, implementation of performance appraisal system and addition of performance measures.

Status: Substantially complete, ongoing reviews take place as positions are filled.

### ***Goal Number 3:***

#### **ITG 3      Ensure continuity of business operations**

Description: Define procedures to ensure timely and orderly resumption of DOR's business operations with minimal or no interruption to time-sensitive services.

Benefits: Continued service to the Montana taxpayers and continued productivity by DOR staff.

This goal supports the following State IT Strategic Plan objectives:

- Objective 2-6: Expand business continuity and disaster planning...

#### **Supporting Objective/Action**

##### **ITO 3-1      Develop & implement a department-wide business continuity/resumption plan**

Business Requirement: The need to ensure DOR's ability to survive a disaster, to resume normal operations and to reestablish critical services within a reasonable time. To identify weaknesses and implement a disaster prevention program; minimize the duration of a serious disruption to business operations; facilitate effective co-ordination of recovery tasks; and reduce the complexity of the recovery effort.

Benefits: Continued service to the Montana taxpayers and continued productivity by DOR staff.

Timeframe for completion: FY12/FY13

Measures: Department-wide business continuity/resumption plan implemented to include supplemental plans for ongoing testing and updating

Accomplishments: Implementing MOUs with ID for returns and payment processing; COOP updated; will be in Miles City hot site by calendar year 2013.

Status: Partially complete, working with SITSD on getting LDRPS system updated with current information; need funding to fully implement. Waiting on connectivity to Miles City Data Center.

#### **Supporting Objective/Action**

##### **ITO 3-2      Payment processing and tax return custody services**

Business Requirement: The need for an alternative, back-up tax payment processing and tax return custody service should a disaster render the current department tax payment and return processing facility unavailable.

Benefits: Daily processing of state revenues will continue and confidential taxpayer information will be protected by rerouting tax returns and payments to an alternate, secure location should the Helena processing facility be unavailable due to a major disaster. A minimum level disaster response is provided.

Timeframe for completion: 1<sup>st</sup> Qtr./FY11

Measures: Contract is in place with vendor to provide the needed services as identified in an RFP for same.

Accomplishments: Have a MOU in place with Idaho; reached out to North Dakota as an alternative site but no interest yet.

Status: Substantially complete; waiting on signatures from State of Idaho.

## SECTION 2: IT INITIATIVES STATUS UPDATES

### **Initiative 1 - Title: Ongoing System Maintenance and Support**

Description: The Department of Revenue has purchased two COTS products for tax processing – GenTax for our Integrated Revenue Information System (IRIS) and Orion for the valuation of property taxes. Both systems reside on the state mid-tier environment supported by the Department of Administration (DOA), Information Technology Services Division (ITSD). In addition, the maintenance for Imaging and Scanning will be with our vendor FairFax.

Project Purpose and Objectives: To adequately support and maintain DOR's core systems GenTax and Orion in conjunction with imaging and scanning.

Technical Implementation Approach: N/A

Project Schedule and Milestones: N/A

Business and IT Problems Addressed: Ongoing maintenance and support

Alternative(s)

Alternatives Considered: None, as these are COTS products that require a long term relationship with the vendors. These systems inherently require a long term maintenance contract with the vendors.

Rationale for Selection of Particular Alternative: The State of Montana failed in the period from 1997 – 2003 in developing a viable integrated tax system from the ground up. That failure led to the legislative cancellation of the prior system in 2003 and to the department decision in 2004 to employ a COTS solution as a proven approach successfully applied in several other states and Montana since that time.

Contracted Services: \$556,000 for Tyler and \$1,600,000 for FAST and \$230,000 for FairFax = \$2,386,000

Total Estimated Costs: \$2,386,000

EPP Number:

Status: Ongoing by design.

Funding: Funded.

## SECTION 3: ADDITIONAL INFORMATION - OPTIONAL

Other types of information that your agency may wish to report as accomplishments or challenges related to achieving the Goals, Objectives, and Initiatives outlined in your 2010 IT plan and 2011 IT plan update.

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### Security Program

#### Accomplishments

MCA 2-15-114 identifies the Department of Revenue's responsibility with regard to information security. To comply with statute, the department:

- developed, and maintains, written internal information security policies and procedures
- employs an information security officer to administer the department's information security program
- employs multiple layers of user authentication for system access
- ensures segregation of duties when creating security matrix access roles
- subscribes to the "least privilege" philosophy in granting system access
- employs a disclosure officer to ensure compliance with the IRS's Publication 1075 - Tax Information Security Guidelines, National Institute of Standards and Technology (NIST) Security Standards, and the Montana Taxpayer Bill of Rights
- includes appropriate security requirements, as determined by the department, in the written specifications for the department's solicitation of data and information technology resources
- ensures that system audit trails are reviewed, and
- ensures that internal evaluations of the information security program are conducted.

2010 - In a continuing effort to improve the security of confidential data entrusted to the department, DOR contracted with an independent firm to provide a security audit, and an associated risk analysis, of the department's physical space, document storage and information systems. The audit identified additional, cost-effective safeguards to reduce, eliminate, or recover from identified threats to confidential information.

2010 - The Internal Revenue Service (IRS) conducted a safeguard review to ensure DOR protects the confidentiality of tax return information furnished by the IRS under the provisions of section 6103(d) of the Internal Revenue Code.

2010 - DOR and DOA/ITSD have a Memo of Understanding to improve the security and administration of the DOR mid-tier environment. The improvements provide DOR with dedicated, segregated servers located on ITSD's raised floor, creating a more secure environment for DOR confidential data. Joint administration places management responsibilities with DOR staff and provides greater administrative and supervisory control over those resources. In the event of an incident, the segregated environment also makes information sharing more possible, thus closing any communication gap.

2012 - DOR implemented Symantec Endpoint Encryption (SEE). SEE provides DOR with the tool needed for creating, distributing, enforcing, and monitoring security policies on endpoint devices, without forcing users to make security decisions or adjust settings. SEE secures data stored on devices and on removable media by encrypting files so they can only be read by authorized users, protecting sensitive taxpayer information should a portable device be lost or stolen. SEE also prevents intentional or inadvertent transmission of data to removable storage devices.

The Department of Revenue (DOR) regularly provides its employees with information security training covering the following topics:

- network security
- laws, rules, and policies
- login IDs and passwords
- viruses, hoaxes, and chain letters
- proper use of e-mail and the Internet
- user responsibilities

In addition to training, the department's security officer heightens awareness by publishing articles in the department's bi-weekly newsletter and posting security links of interest on the department's Intranet.

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## Challenges

The Department of Revenue (DOR) seeks to provide the mitigation plans and structure to facilitate response and recovery capabilities to ensure the continued performance of Montana's revenue system. In addition to disaster recovery, system security and records management, DOR recognizes the need for an increasing emphasis on information security in the areas of fraud detection, facilities administration, business processes auditing, risk management, systems accounts, networking, and protection of federal and state electronic confidential taxpayer information. This may necessitate the need for additional personnel and/or expanding the roles of current employees.