



Stage 1 Business Analysis

California Department of Technology, SIMM 19A.2 (Rev. 2.5, July/2021)

1.1 General Information

Agency or State Entity Name: Government Operations Agency

If agency/state entity not in list, then enter here. CA Department of Tax and Fee Administration

Organization Code: 7600

Proposal Name: CDTFA Data Sources and Data Analytics (DSDA)

Proposal Description: Provide CDTFA with new data sources, data analytics, and artificial intelligence (AI) capabilities to better analyze and evaluate tax return data. Data sources, new and existing, will be used to determine trends and detect anomalies in tax reporting. This effort will result in actions to proactively educate taxpayers, increase compliance, and generate better audit leads and outcomes. Data analytics and AI results will be integrated into CDTFA systems such as CROS for further action.

When do you want to start the project? 2/1/2022

Department of Technology Project Number (0000-000): [7600-095](#)

1.2 Submittal Information

Contact Information

Contact First Name: Jack

Contact Last Name: Sisco

Contact Email: jack.sisco@cdtfa.ca.gov

Contact Phone Number: 916-309-1519

Submission Date: 10/1/2021

Version Number: 1

Project Approval Executive Transmittal – (Attach Transmittal to the email submission.)

1.3 Business Sponsorship

Executive Sponsors

Title: Director

First Name: Nick

Last Name: Maduros

Business Program Area:

Business Tax and Fee Division, Field Operations Division, Financial Management Division, and the Technology Services Division

Business Owners

Title: Deputy Director

First Name: Susanne

Last Name: Buehler

Business Program Area: Business Tax and Fee Division

Title: Deputy Director

First Name: Robert

Last Name: Colivas

Business Program Area: Field Operations Division

Title: Deputy Director

First Name: Jason

Last Name: Mallet

Business Program Area: Financial Management Division

Title: Deputy Director

First Name: Scott

Last Name: Capulong

Business Program Area: Technology Services Division

Program Background and Context

The data sources and data analytics capabilities will benefit multiple business areas within the CDTFA. The CDTFA is tasked with administering multiple tax and fee programs. The CDTFA has an essential business function to analyze tax return data for compliance using data modeling tools and to audit taxpayers when necessary. In this capacity, the CDTFA generally performs audits of taxpayers on a three-year cycle. CDTFA currently audits a limited number of taxpayers returns as they are filed to detect reporting errors and understatements, unintentional or intentional, by taxpayers.

1.4 Stakeholders

Key Stakeholders

Organization Name: [Data Analysis Section – Tax Return Analytics](#)

Stakeholder Name: [Aimee Olhiser](#)

Stakeholder Internal or External? Internal

When is the Stakeholder Impacted?

Input to Business Process: Yes

During Business Process: Yes

Output of Business Process: Yes

How are Stakeholders impacted?

The Data Analysis Section will use the new data sources and/or data analytics capabilities to better analyze tax return data for compliance and audit purposes.

How will the Stakeholder participate in the project?

Stakeholders from the Data Analysis Section will be involved in the entire project. They will be consulted with, informed of project progress, and have requirements elicited from them as part of the planning and implementation or roll-out of a solution.

Organization Name: [Research and Statistics Section](#)

Stakeholder Name: [Gentian Droboniku](#)

Stakeholder Internal or External? Internal

When is the Stakeholder Impacted?

Input to Business Process: Yes

During Business Process: Yes

Output of Business Process: Yes

How are Stakeholders impacted?

The Research and Statistics Section will use the newly identified data sources and/or data analytics capabilities to perform trend analysis and other high-level data analysis functions.

How will the Stakeholder participate in the project?

Stakeholders from the Research & Statistics Section will be involved in the entire project. They will be consulted with, informed of project progress, and have requirements elicited from them as part of the planning and implementation or roll-out of a solution.

Organization Name: [Technology Services Division](#)

Stakeholder Name: [Scott Capulong](#)

Stakeholder Internal or External? Internal

When is the Stakeholder Impacted?

Input to Business Process: Yes

During Business Process: Yes

Output of Business Process: Yes

How are Stakeholders impacted?

The Technology Services Division will assist with acquiring and implementing the newly identified data sources and/or data analytics capabilities. They will provide technology support to the other stakeholders and program areas who will be involved in this procurement.

How will the Stakeholder participate in the project?

Stakeholders from the Technology Services Division will be involved in the entire project. They will be consulted with, informed of project progress, and provide input and technical support as part of the planning and implementation or roll-out of a solution.

1.5 Business Program

Organization Name: [Business Tax and Fee Division](#)

Business Program Name: [Audit and Information Section](#)

When is the unit impacted?

Input to the Business Process: Yes

During the Business Process: Yes

Output of the Business Process: Yes

How is the business program unit impacted?

The Audit and Information Section will use the data sources and data analytics capabilities to identify businesses with potential tax reporting issues. As part of the Return Analytics project, they will utilize the additional data to help our business areas improve their tax return audit function.

How will the business program unit participate in the project?

The Audit and Information Section will be involved in the entire project. They will be consulted with, informed of project progress, and have requirements elicited from them as part of the planning and implementation or roll-out of a solution.

Organization Name: [Business Tax and Fee Division](#)

Business Program Name: [Compliance and Technology Section](#)

When is the unit impacted?

Input to the Business Process: Yes

During the Business Process: Yes

Output of the Business Process: Yes

How is the business program unit impacted? (Describe how the business program unit will be involved in the project)

The Compliance and Technology Section will use the data sources and data analytics capabilities in their business processes. They will look to improve our tax compliance function.

How will the business program unit participate in the project?

The Compliance and Technology Section will be involved in the entire project. They will be consulted with, informed of project progress, and have requirements elicited from them as part of the planning and implementation or roll-out of a solution.

Organization Name: [Research and Statistics Section](#)

Business Program Name: Research and Statistics Section

When is the unit impacted?

Input to the Business Process: Yes

During the Business Process: Yes

Output of the Business Process: Yes

How is the business program unit impacted?

The Research and Statistics Section will use the data sources and data analytics capabilities in their businesses processes. They will look to improve our research and data analysis capabilities.

How will the business program unit participate in the project?

The Research and Statistics Section will be involved in the entire project. They will be consulted with, informed of project progress, and have requirements elicited from them as part of the planning and implementation or roll-out of a solution.

1.6 Business Alignment

Business Driver(s)

Financial Benefit: Yes

Increased Revenue: Yes

Cost Savings: No

Cost Avoidance: Yes

Cost Recovery: No

Mandate(s): Both

Improvement

Better Services to Citizens: Yes

Efficiencies to Program Operations: Yes

Improved Health and/or Human Safety: No

Technology Refresh: No

Security

Improved Information Security: No

Improved Business Continuity: No

Improved Technology Recovery: No

Technology End of Life: No

Strategic Business Alignment

Strategic Plan Last Updated? 12/31/2018

Strategic Business Goal: Modernize Tax Collections to Adapt to the 21st Century Economy

Alignment: Harness new technologies and streamline our processes. The CDTFA is seeking a software solution that uses data analytics and artificial intelligence capabilities to detect reporting errors and understatements by taxpayers that could lead to audits. This will help CDTFA modernize tax collection activities by educating taxpayers, ensuring compliance, and more efficiently conducting audits.

Strategic Plan Last Updated? 12/31/2018

Strategic Business Goal: Improve Taxpayer Services

Alignment: Using modern data analytics and artificial intelligence in a software solution will result in actionable information that can be used to proactively educate the taxpayer, increase compliance, and lead to better audit leads and outcomes.

Executive Summary of the Business Problem or Opportunity:

The CDTFA is looking to acquire data sources, data analytics, and artificial intelligence capabilities to better analyze tax return data for the purpose of reducing reporting errors, understatements, and analysis times. Data from existing, and yet to be identified, data sources such as those in this procurement will be analyzed and the results integrated into systems such as CROS for further action. Based on these results, the CDTFA can identify tax return errors early, educate taxpayers, increase voluntary compliance, generate better audit leads, and establish taxpayer liabilities. The CDTFA is seeking to identify new third-party data sources and pilot new data analytics and artificial intelligence capabilities, within 12 months and at a cost not to exceed \$1 million, to assist with one or more of the following business problem examples and to improve overall tax return analysis capabilities.

Problems

Real-time and Historic Customer Activity – data that provides customer activity at business locations, accurate geospatial tracking/heatmapping, and a break down on customer demographics would significantly reduce the time it takes to evaluate returns and reduce errors when relying on self-reported business data.

Detailed Business Description at the Business Location Level – regularly updated source data that provides detailed business type information necessary to categorize the activities of businesses at a site level rather than account level, accurately categorize different business types within the same accounts, and perform analysis on large scales. This data will be used to detect changes in business activity types.

Real-time and Historic Gas Station Sales Activity – real-time and historic, accurate daily gas prices and number of gallons sold based on actual gas station locations is needed to make projections more accurate and reduce audit times significantly.

Building Permit Tracking – a source of data that tracks building permits and inspection information from different cities and counties for construction contractors is needed to verify their sales or purchases.

Opportunities

- Identify new, real-time, and historic data sources that shorten tax return analysis and taxpayer response times and improve accuracy.
- Detect and reduce calculation errors and unintentional reporting errors.
- Increase taxpayer compliance by educating the taxpayer.
- Increase the number of audit leads that generate additional tax revenues.
- Increase tax revenues by establishing taxpayer liabilities for intentional understatements.
- Use results to flag businesses and taxpayer accounts for further action.

Business Problem/Opportunities and Objectives List

Business Problem/Opportunity ID:

Business Problem/Opportunity Description: CDTFA requires a detailed business description at the business location (site) level. Regularly updated source data that provides detailed business type information is needed to categorize the activities of businesses at a site level rather than account level, accurately categorize different business types within the same accounts, and perform analysis on large scales. This data will be used to detect changes in business activity types.

Objective ID:

Objective: Update business activity information by verifying information at all active site location for all active sales and use tax (SUT) accounts.

Metric: Number of active site locations identified with business activity for all active SUT accounts.

Baseline: 1,259,574 active sites are assigned to active SUT accounts as of 09/27/2021. 905,306 (72%) of the sites do not have NAICS info.

Target: Populate/validate NAICSs (Business Activity) for all active SUT account sites.

Measurement Method: Track number of updated sites with NAICS code from original population and test for accuracy.

Business Problem/Opportunity ID:

Business Problem/Opportunity Description: Detailed business information about changes in ownership of the business through incorporation, transfer, or sale is needed to evaluate outdated account registration. Current account registrations are generally updated when the taxpayer initiates the contact with CDTFA to update the account. Changes made to the account by incorporation would indicate a new tax ID requirement. Similarly, transfer or sale of the business would require the closure of the existing account and the establishment of a new permit under the new owner and new tax IDs. Correct and timely business data would allow CDTFA to create work items timely review and update account registrations.

Objective ID:

Objective: Identify SUT accounts that require registration reviews.

Metric: Number of active accounts that require updated SUT accounts.

Baseline: Active SUT accounts of 977,474 accounts of 09/27/2021.

Target: Identify and update accounts with changes in ownership.

Measurement Method: Track number of updated registrations through work items rather than taxpayer initiation.

Business Problem/Opportunity ID:

Business Problem/Opportunity Description: Retail space and maximum occupancy capacity from fire/building inspection permits will provide valuable insight into the retail establishments. Currently, no such data is available for classification and analysis.

Objective ID:

Objective: Obtain third-party data to classify businesses by retail space and maximum occupancy.

Metric: Number of SUT accounts with retail sites (based on relevant NAICS)

Baseline: N/A since this data is not available.

Target: Number of SUT accounts with retail sites

Measurement Method: Track the number of SUT accounts that can be matched to available data third-party data.

Business Problem/Opportunity ID:

Business Problem/Opportunity Description: Available real time credit card sale data by business site will be valuable insight to CDTFA. Currently no such data is available for classification and analysis.

Objective ID:

Objective: Obtain third-party data for research and statistical analysis. Such data can be used to confirm and enhance existing 1099K data or identify taxpayers that should have 1099K data.

Metric: Number of SUT accounts that accepts electronic payments.

Baseline: N/A since this data is not available.

Target: All matching SUT accounts that accepts electronic payments.

Measurement Method: Track the number of SUT accounts that can be matched to available data third party data.

Project Approval Lifecycle Completion and Project Execution Capacity Assessment

1. Does the proposal development or project execution anticipate sharing resources (state staff, vendors, consultants or financial) with other priorities within the agency/state entity (projects, PALs, or programmatic/technology workload)?

Answer (yes or no): Yes

2. Does the agency/ state entity anticipate this proposal will result in the creation of new business processes or changes to existing business processes?

Answer (No, New, Existing, or Both): Both New and Existing Processes

1.7 Project Management

Project Management Risk Score: 0.7

Existing Data Governance and Data

1. Does the agency/state entity have an established data governance body with well-defined roles and responsibilities to support data governance activities?

Answer (Unknown, Yes, No, Clear): Yes

If Yes, include the data governance organization chart as an attachment to your email submission.

2. Does the agency/state entity have data governance policies (data policies, data standards, etc.) formally defined, documented, and implemented?

Answer (Unknown, Yes, No, Clear): No

If Yes, include the data governance policies as an attachment to your email submission.

3. Does the agency/state entity have data security policies, standards, controls, and procedures formally defined, documented, and implemented?

Answer (Unknown, Yes, No, Clear): Yes

If Yes, attach the existing documented security policies, standards, and controls used to your email submission.

4. Does the agency/state entity have user accessibility policies, standards, controls, and procedures formally defined, documented, and implemented?

Answer (Unknown, Yes, No, Clear): Yes

If Yes, attach the existing documented policies, accessibility governance plan, and standards used to the email submission. Do you have existing data that you are going to want to access in your new solution?

Answer (Unknown, Yes, No, Clear): Yes

If Yes, include the data migration plan as an attachment to your email submission.

5. If data migration is required, please rate the quality of the data.
Select data quality rating: Few issues identified with the existing data.

1.8 Criticality Assessment

Business Criticality

Legislative Mandates: No

Bill Number(s)/Code(s):

Language that includes system relevant requirements:

TIP: Copy and paste to add Bill Numbers/Codes and relevant language.

Business Complexity Score: 0.9

(Attach a completed [SIMM](#) Section 45 Appendix C to the email submission.)

Noncompliance Issues: Indicate if your current operations include noncompliance issues and provide a narrative explaining how the business process is noncompliant.

Programmatic regulations: HIPAA/CIIS/

FTI/PII/PCI:

Security:

ADA:

Other:

N/A:

Noncompliance Description:

Additional Assessment Criteria

1. What is the proposed project Implementation start date? 2/1/2022

2. Is this proposal anticipated to have high public visibility? No
If “Yes”, then please identify the dynamics of the anticipated high visibility below:
3. If there is an existing Privacy Threshold Assessment/Privacy Information Assessment, then include as an attachment to your email submission.
4. Does this proposal affect business program staff located in multiple geographic locations? No
If Yes, provide an overview of the geographic dynamics below and enter the specific information in the space provided.
City _____ State: _____
Number of locations: _____
Approximate number of Staff: _____
TIP: Copy and paste to add Locations as needed.

1.9 Funding

1. Does the agency/state entity anticipate requesting additional resources through a budget action to complete the project approval lifecycle?
Answer (Yes, No, Clear): No
2. Will the state possibly incur a financial sanction or penalty if this proposal is not implemented?
Answer (Yes, No, Clear): No

If yes, please identify the financial impact to the state:

FUNDING SOURCE	FUND AVAILABILTY DATE
-----------------------	------------------------------

General Fund: Yes	7/1/2021
Special Fund:	
Federal Fund:	
Reimbursement:	
Bond Fund:	
Other Fund:	

If “Other Fund” is selected, specify the funding source:

1.10 Reportability Assessment

1. Does the agency/state entity's IT activity meet the definition of an IT Project found in the [State Administrative Manual \(SAM\)](#) Section 4819.2?

Answer (Yes, No, Clear): Yes

If No" this initiative is not an IT project and is not required to complete the Project Approval Lifecycle. ([Reportable Project Decision Tree \(RPDT\) Reference Guide](#), Reference R1.)

2. Does the activity meet the definition of Maintenance or Operations found in [SAM](#) Section 4819.2?

Answer (Yes, No, Clear): No

If Yes, this initiative is not required to complete the Project Approval Lifecycle. Please report this workload on the Agency Portfolio Report and provide an explanation below:

3. Has the project/effort been previously approved and considered an ongoing IT activity identified in [SAM](#) Section 4819.2, 4819.40? **NOTE:** Requires a Post Implementation Evaluation Report (PIER) submitted to the CDT.

Answer (Yes, No, Clear): No

If Yes, this initiative is not required to complete the Project Approval Lifecycle. Please report this workload on the Agency Portfolio Report.

4. Is the project directly associated with any of the following as defined by [SAM](#) Section 4812.32? Includes single-function process-control systems; analog data collection devices, or telemetry systems; telecommunications equipment used exclusively for voice communications; Voice Over Internal Protocol (VOIP) phone systems; acquisition of printers, scanners and copiers. Answer (Yes, No, Clear): No

If Yes, this initiative is not required to complete the Project Approval Lifecycle. Please report this workload on the Agency Portfolio Report.

5. Is the primary objective of the project to acquire desktop and mobile computing commodities as defined by [SAM](#) Section 4819.34, 4989 ([RPDT Reference Guide](#), References R8)? Answer (Yes, No, Clear): No

If Yes, this initiative is a non-reportable project. Approval of the Project Approval Lifecycle is delegated to the head of the state entity. Submit a copy of the completed, approved Stage 1 Business Analysis to the CDT and track the initiative on the Agency Portfolio Report.

6. Does the Project meet all of the criteria for Commercial-off-the-Shelf (COTS) Software and Cloud Software-as-a-Service (SaaS) delegation as defined in [SAM](#) Section 4819.34, 4989.2, and [SIMM](#) Section 22? ([RPDT Reference Guide](#), Reference R9.)

Answer (Yes, No, Clear): No

If Yes, this initiative is a non-reportable project. Approval of the Project Approval Lifecycle is delegated to the head of the state entity; however, submit an approved [SIMM](#) Section 22 COTS/SaaS Acquisition Information Form to the CDT.

7. Will the project require a Budget Action to be completed?

Answer (Yes, No, Clear): No

8. Is it anticipated that the project will exceed the delegated cost threshold assigned by CDT as identified in [SIMM](#) Section 15 Departmental Project Cost Delegation?

Answer (Yes, No, Clear): No

9. Are there any previously imposed conditions place on the state entity or this project by the CDT (e.g. Corrective Action Plan)?

Answer (Yes, No, Clear): No

If Yes, provide the details regarding the conditions below:

10. Is the system specifically mandated by legislation?

Answer (Yes, No, Clear): No

Department of Technology Use Only

Original "New Submission" Date: [1/28/2022](#)

Form Received Date: [1/28/2022](#)

Form Accepted Date: [1/28/2022](#)

Form Status: [Completed](#)

Form Status Date: [1/28/2022](#)

Form Disposition: [Approved](#)

If Other, specify:

Form Disposition Date: [1/28/2022](#)