

# Memorandum

**To:** Honorable Jerome E. Horton, Chairman  
Honorable Michelle Steel, Vice-Chair  
Honorable Betty T. Yee  
Senator George Runner  
Honorable John Chiang

Date : September 8, 2011

**From:** David J. Gau, Deputy Director   
Property and Special Taxes Department, MIC: 63

**Subject:** Board Meeting Agenda September 21, 2011, Centralized Revenue Opportunity System (CROS) Project Update

I would like to make you aware of a few significant developments related to the CROS Project.

### Feasibility Study Report (FSR)

Board of Equalization (BOE) received formal approval of the CROS FSR from the California Technology Agency (CTA) on September 7, 2011 (copy attached). CTA's approval included provisions that BOE:

- Coordinate with the Department of Finance (Finance) to validate the proposed revenue collection and vendor compensation models included in the Request for Proposal (RFP).
- Work with Franchise Tax Board (FTB) and the Employment Development Department (EDD) on the procurement strategy so as to leverage their lessons learned from recent IT procurements.
- Consult with FTB and EDD on opportunities to coordinate and collaborate on various aspects of the business processes affected by CROS and seek to avoid unnecessary duplication and incompatibility of systems and business methods.
- Work with FTB and EDD to identify opportunities to share data and processes between agencies' IT systems.
- Must receive written concurrence, prior to the contract being awarded, from Finance of the proposed vendor's revenue collection and compensation model, as well as associated contract language.

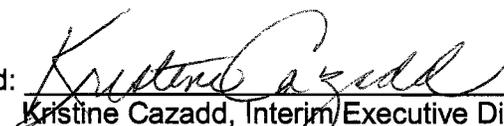
The CROS Project team will schedule meetings with the Department of General Services and Finance to adjust the project schedule to reflect the delay in obtaining FSR approval and incorporate any additional actions needed to meet the conditional requirements.

### Planning & Procurement

Training on confidentiality, conflict of interest, and ethics related to the procurement process was prepared and will be provided to the CROS core team and interested parties.

If any significant events occur between now and the Board Meeting, I will update the Board Members.

DJG:tw  
Attachment

Approved:   
Kristine Cazadd, Interim/Executive Director

cc: Ms. Regina Evans  
Mr. Louis Barnett  
Mr. Alan LoFaso  
Mr. Sean Wallentine  
Ms. Marcy Jo Mandel  
Ms. Kristine Cazadd  
Mr. Jeffrey L. McGuire  
Mr. Frank Werry  
Ms. Liz Houser  
Ms. Diane Olson

**CALIFORNIA TECHNOLOGY AGENCY**

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 (916) 319-9223



September 7, 2011

Ms. Kristine Cazadd  
 Interim Executive Director  
 State Board of Equalization  
 450 N Street  
 Sacramento, CA 95814

Dear Ms. Cazadd:

**Feasibility Study Report for the Centralized Revenue Opportunity System (CROS)  
 Project, Project Number 0860-094**

The California Technology Agency (Technology Agency) received the State Board of Equalization's (BOE) Feasibility Study Report (FSR) dated May 23, 2011, for the Centralized Revenue Opportunity System (CROS) Project. The Technology Agency conditionally approves this FSR subject to the conditions specified in this letter.

<b>Project Schedule, Cost, &amp; Criticality Rating:</b>		<b>Project Number 0860-094</b>	
<b>Project Schedule</b>		<b>Project Cost</b>	<b>\$279,043,677</b>
Start Date:	September 2010	One-Time:	\$189,526,121
Implementation Date:	June 2017	Continuing:	\$89,517,556
PIER date:	December 2018	Annual M&O:	\$28,992,754
<b>Criticality Rating:</b>		<b>High</b>	<b>Funding Source</b>
			General Fund
			Special Fund
			Reimbursement
			Redirection

The following conditions are placed upon the project:

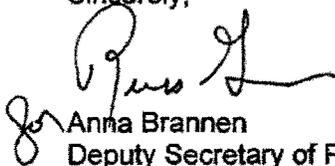
- Approval of this FSR is limited to the planning, Request for Proposal (RFP) development, and procurement phases. Total approved cost for these phases of the project will not exceed \$15,911,631.
- During the RFP development phase, BOE will coordinate with the Department of Finance (Finance) to validate the proposed revenue collection and vendor compensation model to be contained in the RFP before its release to the vendor community.
- Finance's validation of the revenue collection and vendor compensation model must be in writing, a copy of which must be submitted to Technology Agency prior to approval of the remaining pre-procurement phase.
- BOE will work with the Franchise Tax Board (FTB) and the Employment Development Department (EDD) on the procurement strategy so as to leverage their lessons learned from recent IT procurements.

Ms. Kristine Cazadd  
September 7, 2011  
Page 2

- BOE will consult with FTB and EDD on opportunities to coordinate and collaborate on various aspects of the business processes affected by CROS and seek to avoid unnecessary duplication and incompatibility of systems and business methods. BOE will work with FTB and EDD to identify opportunities to share data and processes between the agencies' IT systems as part of the ongoing IT project efforts of the three agencies, including CROS, the Enterprise Data to Revenue project and the Accounting and Compliance Enterprise System project, to the extent feasible without significant disruption or risk to those projects.
- Prior to contract award, BOE must receive in writing Finance's concurrence with the proposed vendor's revenue collection and compensation model, as well as associated contract language.
- Should the project costs or schedule for the approved phases change by 10 percent or more, BOE will be required to submit a Special Project Report to the California Technology Agency.

If you have any questions, please contact Jeet Poddar (916) 324-5641, or by e-mail at [jeet.poddar@state.ca.gov](mailto:jeet.poddar@state.ca.gov). Please refer to project number 0860-094 in any future correspondence regarding the project.

Sincerely,



Anna Brannen  
Deputy Secretary of Policy  
California Technology Agency

JP:km  
Project No. 0860-94  
Log No. 2011-745

cc: On following page

cc: Mr. Frank Werry, Acting Chief Information Officer, State Board of Equalization  
Ms. Selvi Stanislaus, Executive Officer, Franchise Tax Board  
Ms. Cathy Cleek, Chief Information Officer, Franchise Tax Board  
Ms. Pam Harris, Chief Deputy Director, Employment Development Department  
Mr. Mike Howland, Deputy Director, Information Technology Branch, Employment  
Development Department  
Mr. Paul Benedetto, Deputy Secretary of Operations, California Technology Agency  
Mr. Adrian Farley, Chief Technology Officer, California Technology Agency  
Ms. Fei Collier, Deputy Director, California Technology Agency  
Mr. Kevin Piombo, Deputy Director, California Technology Agency  
Ms. Erika Li, Principal Fiscal and Policy Analyst, Legislative Analyst's Office  
Mr. James Butler, Deputy Director, Procurement Division, Department of General Services  
Ms. Marjorie Rubenstein, Acquisitions Branch Manager, Procurement Division, Department  
of General Services  
Mr. Richard Gillihan, Chief, Information Technology Operations and Consulting,  
Department of Finance  
Ms. Susan Davis-James, Chief, Information Technology Consulting Unit, Department of  
Finance  
Mr. Chris Hill, Principal Program Budget Analyst, Department of Finance  
Mr. Scott Sanders, Budget Analyst, Department of Finance  
Mr. Keith Tresh, Director, Chief Information Security Officer, Office of Information Security,  
California Technology Agency  
Ms. Michele Robinson, Deputy Chief Information Security Officer, Office of Information  
Security, California Technology Agency