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BRINGING IN THE DELTA FORCE

The Louisiana Department of Revenue simplifies processes and nets big returns from its integrated tax system. / By Melissa Solomon



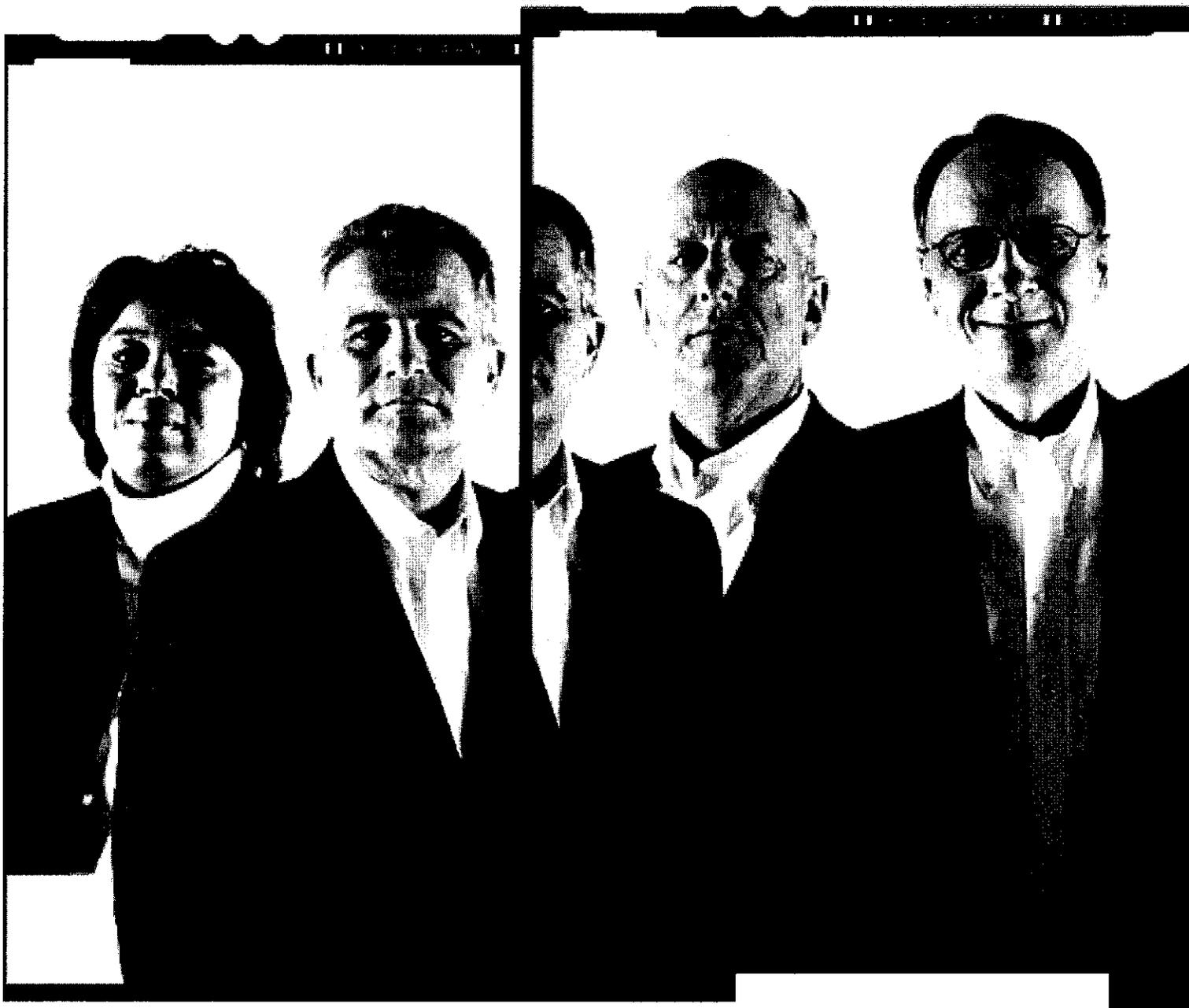
PHOTOGRAPHY BY JASON MCLENDON

In 2001, the Louisiana Legislature passed a tax amnesty bill that would let delinquent taxpayers settle their scores with the state, free of penalties and interest. The goal was to ease pressure on citizens and businesses so they could come forward and pump millions of unpaid taxes into state coffers.

However, at that time, the Louisiana Department of Revenue's (LDR) technology infrastructure featured a 25-year-old platform hosting a hodgepodge of approximately 5,000 computer programs that handled LDR's various taxes and business functions. To implement the amnesty, the tax agency had to spend months reprogramming applications.

MAKING IT WORK

Greg Montagnino helped implement Louisiana's integrated tax system, which is based on off-the-shelf software.



"If we had to make a change in anything, it was just a horrendous task," recalls Revenue Deputy Secretary Gary Matherne.

If LDR had had its current integrated tax system in place in 2001, the process would have taken only a week, according to Revenue Secretary Cynthia Bridges. "Our legacy system was extremely cumbersome to maintain," she adds. "We needed something that was going to be a lot more flexible."

LDR found the flexibility it needed, but not without some risk. The agency's mainframe shop, which historically had used IBM's DB2, scrapped its original plan to build a new mainframe system

from the ground up and licensed GenTax, a commercial off-the-shelf (COTS) package built on Microsoft technology, including the Microsoft SQL Server database.

As the maker of GenTax, Fast Enterprises had not had a client as large as Louisiana, so LDR officials worried about the scalability of the SQL Server platform. But they were very pleasantly surprised by the processing power of SQL Server, as well as the cost.

"In the long run, operating GenTax on servers would be a lot cheaper than on a mainframe," notes LDR IT Director Greg Montagnino.

PHOTOGRAPHY BY JASON MCLENDON



THE RIGHT CHOICE

Two and a half years after starting the GenTax project, LDR leaders are thrilled with their choice for the state's integrated tax system, dubbed the DELTA Project, for Defining Excellence in Louisiana Tax Administration. For starters, buying a prebuilt package cut costs to a half, or even a quarter, of what some states paid for their integrated tax systems.

Because 70 percent of the package was prebuilt, the three-year project started showing results quickly. The four project phases that have passed all went according to plan, and the fifth and final

TEAM DELTA

(From left to right) Gwendolyn Scott, Greg Montagnino, Kenneth Comeaux, Gary Matherne, Earl Millet Jr. and Cynthia Bridges

phase is currently scheduled for this May.

"We have not missed one deadline for any of these rollouts, and every rollout has come within the budgeted amount or under," reports Kenneth Comeaux, DELTA Project steering committee chairman. "That doesn't happen often."

Because GenTax was written in Visual Basic on Microsoft platforms and then upgraded to .Net, LDR no longer worries about finding technicians with the skills to maintain its infrastructure, Montagnino says. At last, he adds, the agency can take advantage of new technologies, such as audit-tracking software, enhanced imaging tools and wireless connectivity.

"Anytime you do something like this, you're taking a risk," Comeaux concedes. "But if you don't take a risk, you're going to keep getting the results you're getting."

"Based on our success and our results, I think every revenue agency—not only on the state level—should look into it."

FOUND MONEY

Louisiana's tax agency administers 47 types of taxes, as well as 25 fees, permits, bonds and certifications. A Louisiana businessperson might pay several types of taxes, but because LDR's former homegrown legacy system handled each of them separately, he might get a sales tax refund while still owing employee withholding taxes and penalties.

By May, the department plans to have integrated 20 taxes into GenTax, and Bridges says she'd eventually like to add the remaining taxes and fees. When all of the taxes are integrated, LDR officials could click an icon to get a real-time view of each taxpayer's consolidated tax portfolio.

A fully integrated system could also help automate some collection processes. LDR agents can prioritize lower-risk, higher-dollar collections and run analyses to ensure that taxpayers are paying all appropriate taxes, says James Harrison, a partner at Fast Enterprises.

In addition to generating new revenue sources, the DELTA Project has saved money by making the tax agency more efficient. With the legacy system, many tasks were manual, making it difficult to assess the work done at the agency. GenTax automates much of LDR's work, giving managers a better picture of workflow and employee productivity. This helps them reallocate resources as needed, explains Gwendolyn Scott, assistant secretary in charge of LDR's taxpayer assistance and collection programs, which encompass eight regional offices.

GenTax also automated the revenue accounting function. Before this program, the agency had to pull data from different tax systems, then plug it

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into a separate revenue accounting application. Now, GenTax can calculate revenues and pull reports automatically. It also can issue letters to taxpayers, capture images of those letters and store them in the system, Scott says.

With the DELTA project, the Louisiana Department of Revenue set a new standard for all tax agencies looking to modernize their operations, according to Karla Pierce, director of tax and revenue at Microsoft's U.S. Public Sector division and former Kansas revenue secretary. "They proved that an enterprise COTS solution operating on a Microsoft platform can mitigate the risks associated with implementing a large-scale, custom-integrated tax system and achieve the desired business results," she adds.

BREAKING CODES

With different transaction codes for each tax, LDR's legacy applications were complex and



PARTNERING

Karla Pierce of Microsoft provided support for Louisiana's tax system.

required detailed training.

"We communicated in code," says Earl Millet Jr., director of the New Orleans regional office. To report that a customer filed a return, agents would use codes 210, 450 and 930. Now they just call it what it is: "filed a return." "GenTax does the same things, but it speaks in English," he explains. That difference makes it much easier to train new employees to use GenTax than to use the old application.

Integrating all processes into one system means that employees won't be stuck in silos, and during busy periods, such as April 15, they can be shifted to different departments. Easier training will

be particularly important as LDR employees near retirement and the agency has large numbers of new workers to train, Bridges adds.

Another benefit of GenTax is provided by a standalone collection tool that lets field agents download case files onto Tablet PCs and bring them along on their collection rounds. The agents can print receipts in the field, record new data and then upload it to the GenTax system when they return to the office.

According to Millet, field agents in the trenches, who talk with taxpayers face to face, say that most people aren't dishonest, they're just uninformed. LDR's old code language didn't help the situation, he adds.

Under the old system, LDR sent Final Notice Before Seizure notices, which sparked panic among taxpayers. Now these notices are called Statements of Account, which resemble credit card statements.

In the past, when customers called in for their account balance, they often got incomplete totals because their accounts were spread across so many applications, Millet says. With GenTax, agents can give customers an instant real-time total. "It's more taxpayer-friendly," he says.

RACE TO THE FINISH

Employees from several states have visited Louisiana to see GenTax in action. Officials of one state, which set a goal of implementing one tax into its integrated tax system every four years, were shocked to learn that Louisiana was implementing 20 taxes within three years.

Even so, the largely successful, ambitious plan encountered a few bumps in the road, primarily in change management. "The speed does bring some chaos with it," Montagnino concedes. "It creates

(+) Pros and (-) Cons

A commercial off-the-shelf (COTS) tax system can bring big returns, but as with any major purchase, it shouldn't be entered into lightly. Here are some factors to consider:

- ✓ **Cost:** Because much of the product is prebuilt, the cost can be a fraction of what agencies would pay to build a homegrown system or have one built by a consultant.
- ✓ **Customization:** Although some flexibility and customization is factored into the package, an agency can't build it to perfectly match its specifications.
- ✓ **Time:** If it takes more than six years to build an integrated tax system from the ground up, the technology may be obsolete by the project's end, or a new administration might not embrace it.
- ✓ **Upgrades:** With a COTS package, a significant number of maintenance issues and technology advances will be addressed through regular product upgrades.
- ✓ **Funding Realities:** For some agencies, it might be easier to get legislative approval for a one-time expenditure of \$60 million than it would be to get \$20 million for a new COTS package, then \$2 million each year thereafter to pay for upgrades.
- ✓ **Best Practices:** Because vendors work with a variety of clients, their products evolve to reflect best practices in the field.
- ✓ **Built-in Integration:** GenTax's entire platform is Microsoft-based, from the desktop to the servers, which simplifies the process of upgrading an enterprise system.

PHOTOGRAPHY BY STEVE BARRETT

dramatic change in the organization in a hurry, and that does create stress.”

The LDR informed staff about the new system from the beginning, but getting employees ready has been the department's biggest challenge. “We survived but we could have done better,” Comeaux says.

Many employees who expected GenTax to emulate their old work processes were disconcerted when it did not. An advantage of the new system is that it incorporates best practices, says Bridges. But it was hard to convince employees that the way they'd been doing things might not be the best way, she adds.

However, employees who were initially disillusioned often were impressed when they saw changes that they suggested incorporated into GenTax, often in a matter of hours, she notes.

Such extensive changes also made extensive demands on the agency's IT employees, who were experienced in LDR's legacy environment but had to quickly learn to work with GenTax and SQL Server.

“Our folks have been really stretched and stressed to get up to speed on this,” Montagnino says. “But they've done quite well.”

The DELTA Project has increased efficiencies



both on an employee and technology level. And, should the legislature ever call another tax amnesty, LDR staff will be able to say: Bring it on; we're ready.

“I think this is probably one of the best investments the Department of Revenue ever made in its infrastructure,” says Millet, a 25-year LDR veteran. “You can almost laugh now at the way we used to do things.” ■

RISK-TAKER

You have to take risks to get results, advises Kenneth Comeaux.

Giving Advice

Before considering an integrated tax system, government agencies should take a step back and analyze their current processes, advises Gary Matherne, revenue deputy secretary of the Louisiana Department of Revenue (LDR).

The LDR held training sessions to teach managers how to analyze the work processes of their departments and create maps illustrating the workflow. That approach, Matherne says, helped officials spot areas of duplication and delay, which they could then fix instead of incorporating the inefficiencies into the new system.

Now that the tax agency is nearing completion of its integrated tax system, it is revisiting those workflow maps. If changes are needed, LDR can quickly update

one system instead of tinkering with the disjointed computer programs in its old infrastructure, says Revenue Secretary Cynthia Bridges.

Agencies contemplating a new tax system also need strong executive support, Bridges advises. As secretary, she made the integrated tax project the agency's first priority. An executive steering committee was formed and met biweekly to set direction and resolve issues for the project.

LDR also assigned three project managers: one from vendor Fast Enterprises, one from the department and one independent project manager who was hired through a public bid process.

Training is a critical piece of the puzzle, according to Bridges. Fast Enterprises had an extensive

training program in place, and the department got its staff involved early in the process.

That proved to be a major asset when those employees wound up serving as project ambassadors. LDR worked hard to communicate with employees about the project, but there was still a great deal of resistance.

Assistant Secretary Gwendolyn Scott suggests spending a lot of time before, during and after the project helping employees understand the importance of the new tax system and explaining that it will require some concessions and reallocation of resources.

“It's hard work and it takes everybody,” Scott says. “Serious dedication and commitment are critical to the success of the project.”