



**A Report for  
State of California  
Secretary of State**

**California Business Connect Feasibility Study Report**

March 2011

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# 1.0 Executive Project Approval Transmittal

## Information Technology Project Request

## Feasibility Study Report Executive Approval Transmittal



Debra Bowen

<b>Department Name</b>		
Secretary of State		
<b>Project Title (maximum of 75 characters)</b>		
California Business Connect Project		
<b>Project Acronym</b>	<b>Department Priority</b>	<b>Agency Priority</b>
California Business Connect	2	2
<b>APPROVAL SIGNATURES</b>		
<p>I am submitting the attached Feasibility Study Report (FSR) in support of our request for the Office of the State Chief Information Officer's approval to undertake this project.</p> <p>I certify that the FSR was prepared in accordance with State Administrative Manual Sections 4920-4930.1 and that the proposed project is consistent with our information technology strategy as expressed in our current Agency Information Management Strategy (AIMS). I have reviewed and agree with the information in the attached Feasibility Study Report.</p> <p>I also certify that the acquisition of the applicable information technology (IT) product(s) or service(s) required by my department that are subject to Government Code 11135 applying Section 508 of the Rehabilitation Act of 1973 as amended meets the requirements or qualifies for one or more exceptions (see following page).</p>		
<b>CHIEF, BUSINESS PROGRAMS/PROJECT DIRECTOR</b>		<b>Date Signed</b>
		3/2/2011
<b>Printed name:</b>	Betsy Bogart	
<b>CHIEF, INFORMATION TECHNOLOGY DIVISION</b>		<b>Date Signed</b>
		3/3/2011
<b>Printed name:</b>	Chris Maio	
<b>MANAGER OF FISCAL AFFAIRS</b>		<b>Date Signed</b>
		3/2/2011
<b>Printed name:</b>	Linda Arviso-Hunt	
<b>INFORMATION SECURITY OFFICER</b>		<b>Date Signed</b>
		3/3/2011
<b>Printed name:</b>	Wendell Christopher	
<b>DEPUTY SECRETARY OF STATE, OPERATIONS</b>		<b>Date Signed</b>
		3/3/2011
<b>Printed name:</b>	Janice Lumsden	
<b>DEPUTY SECRETARY OF STATE, IT AND POLICY</b>		<b>Date Signed</b>
		3/3/11
<b>Printed name:</b>	Mary Winkley	

# Feasibility Study Report Executive Approval Transmittal

## IT Accessibility Certification

**Yes or No**

<b>Yes</b>	<b>The Proposed Project Meets Government Code 11135 / Section 508 Requirements and no exceptions apply.</b>
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### Exceptions Not Requiring Alternative Means of Access

Yes or No	Accessibility Exception Justification
No	The IT project meets the definition of a national security system.
Yes	The IT project will be located in spaces frequented only by service personnel for maintenance, repair, or occasional monitoring of equipment (i.e., “Back Office Exception.”)
Yes	The IT acquisition Is acquired by a contractor incidental to a contract.

### Exceptions Requiring Alternative Means of Access for Persons with Disabilities

Yes or No	Accessibility Exception Justification
No	<p>Meeting the accessibility requirements would constitute an “undue burden” (i.e., a significant difficulty or expense considering all agency resources).</p> <p>Explain:</p>  <p>Describe the alternative means of access that will be provided that will allow individuals with disabilities to obtain the information or access the technology.</p>
Yes	<p>No commercial solution is available to meet the requirements for the IT project that provides for accessibility.</p> <p>Explain:</p>  <p>Describe the alternative means of access that will be provided that will allow individuals with disabilities to obtain the information or access the technology.</p>

Feasibility Study Report  
Executive Approval Transmittal

**IT Accessibility Certification**  
**(continued)**

**Exceptions Requiring Alternative Means of Access for Persons with Disabilities**

<b>Yes or No</b>	<b>Accessibility Exception Justification</b>
Yes	<p>No solution is available to meet the requirements for the IT project that does not require a fundamental alteration in the nature of the product or its components.</p> <p>Explain:</p>  <p>Describe the alternative means of access that will be provided that will allow individuals with disabilities to obtain the information or access the technology.</p>

## **2.0 IT Project Summary Package**

### **Introduction**

The Secretary of State's Business Programs Division (BPD), which is instrumental to helping businesses establish themselves in California by processing and filing more than 2 million documents a year, is submitting a request to automate its archaic, labor-intensive processes that make it increasingly difficult to comply with current mandates and new mandates that are created by law, prone to human error, and continue to put vital state records at risk. This project will be known as the California Business Connect Project and has a net estimated benefit of more than \$5.6 million per year after implementation starting in FY 2016/17, allowing for a payback period to Secretary of State in just 2.6 years.

In April 2010, staff from the California Governor's Office of Economic Development, an office set up to jump-start the economy and create jobs, toured the facilities at the Secretary of State's office (SOS) and said they expected the worst. Following the tour, the visiting staff noted, that it was a much more manual, labor and paper-intensive process than they had expected.

SOS staff pointed out that the filing systems for most of SOS's business and special filing records are so archaic, that in many cases, there is no backup. The systems contain only a single paper copy of each recording for Limited Liability Companies (LLCs), Limited Partnerships (LPs), and general partnerships for the generations of filings that make up much of the state's legally organized small businesses. This means that in the event of a disaster, such as a fire, the permanent records of hundreds of thousands of California businesses may be wiped out.

In addition, the time it takes to process and file documents continues to grow and the backlog is so extensive that businesses have informed SOS that they are willing to pay more for filings if it would speed up the process. Fortunately, a fee increase is not required to support this project. The money to support this effort exists through the fees paid by businesses (Business Fees Fund and SOS Reimbursements) for filings and services. What does not exist, and what is needed, is the authority to spend that money in support of this project.

The automation efforts requested in this Feasibility Study Report will help businesses create jobs faster and speed up the collection of sales, property, and other taxes and fees by providing California businesses with the ability to file online and get the required response from SOS within a few days instead of the current response time, which in June of 2010 were as long as 54 days.

To minimize risks, and provide more immediate benefits to taxpayers and businesses, the project will be implemented in phases. The project will begin July 2011 with a solutions-based procurement solicitation effort and the phases will be completed by June 2016. To confirm business requirements, a vendor will be solicited to write the Request for Proposal.

**INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE**  
**SECTION A: EXECUTIVE SUMMARY**

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Once approval is obtained, SOS will launch the California Business Connect Project, which will include business entities, domestic partnerships, trademarks, special filings and Uniform Commercial Code (UCC). The internal work processing efficiencies gained would be measured against baseline metrics already established for existing manual processing times and submitted to the Legislature after the first year of project completion.

The information captured electronically and stored in a centralized database for internal automated workflow processing will benefit businesses, the economy, and the taxpayers as well as SOS and other state government agencies. The benefits will include:

#### Business Benefits

- Eliminate unnecessary delays
- Provide a centralized and integrated single point of services for business entity and special filings
- Ensure a more secure processing of payments
- Provide online help in completing forms
- Reduce the cost and time required to establish and maintain a business
- Make services available 24 hours a day, seven days a week
- Allow users to see all filing activities related to the business over the long term

#### Economic Benefits

- Process business filings faster
- Help businesses create jobs sooner
- Bring revenue to the state sooner
- Reduce the use of paper

#### Taxpayer/Public Benefits

- Provide reliable online research of entities doing business in California
- Provide online debtor information

#### SOS Benefits

- Ensure the agency will be in compliance with code and regulations
- Provide flexibility to adopt modifications necessary to comply with changes in code and regulations
- Protect physical assets of the state
- Strengthen internal controls for cash management
- Reduce operational budget for postage, printing, and handling
- Reduce data entry required, thereby reducing the backlog



**INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE**  
**SECTION A: EXECUTIVE SUMMARY**

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- Provide consistency of data across the agency
- Allow for immediate processing of funds received
- Improve customer service
- Provide staff, supervisors and management with better workload management and measurement tools
- Modernize SOS IT systems architecture to support this automation effort and be positioned to readily adapt to future changes in law

**Other Government Benefits**

- Serve as the model in electronic records keeping for other government agencies
- Maximize interest earnings by handling cash flow more efficiently
- Provide interfaces with other government agencies, including Employment Development Department (EDD), Board of Equalization (BOE), Franchise Tax Board (FTB) and Attorney General's office (AG)
- Allow potential savings to government agencies currently accessing data via manual labor intensive processes
- Provide online filings of public notice of tax liens

There are more than 1.7 million businesses each year impacted by our antiquated processes. SOS believes that by implementing a single intake process for the filings and online filings with imaging and automated workflow processes behind the scenes, the backlog will drop and eventually disappear. As a result, business filings will take hours, not weeks, allowing businesses to launch quickly, generating jobs and tax revenues while providing services and products to Californians.

In 2006, SOS implemented an automated workflow system in the UCC Section of BPD that has proven efficient and effective in helping meet the workload demands of the state, and would like to bring this efficiency to its other Sections within BPD. Unfortunately, the UCC system cannot be expanded to automate the workflow of other BPD Sections. Work on the UCC system began in 2001, and the technology used is out-dated and no longer supported by the vendor.

The new automated system will provide the foundation to expedite the way California does business and provide a means to preserve the vital business and special filing records of the state.

Due to the anticipated dollar value of the proposed solution, in accordance with California Public Contract Code sections 12100 and 12104, this acquisition effort will be administered by the Department of General Services, Procurement Division, Technology Acquisition Section.

**INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE**  
**SECTION A: EXECUTIVE SUMMARY**

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Project efforts will commence July 1, 2011, upon approval of the following:

- Feasibility Study Report hereby submitted to the California Technology Agency (CTA), Department of Finance (DOF) and Legislative Analyst's Office (LAO),
- Funding Request to spend the business fees collected from our customers and sitting in reserve,
- Department of General Services (DGS) approval of the Information Technology Procurement Plan.

**INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE**  
**SECTION A: EXECUTIVE SUMMARY**

**2.1 Executive Summary**

1.	Submittal Date	01/10/2011
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2.	Type of Document	FSR	SPR	PSP Only	Other:
	Project Number	X			

3.	Project Title	California Business Connect	Estimated Project Dates	
	Project Acronym		Start	End
			07/01/11	06/30/17

4.	Submitting Department	Secretary of State
5.	Reporting Agency	

6.	Project Objectives	<p>This project has two primary objectives and metrics under each:</p> <p><b>Ensure SOS is compliant with the law and the State Administrative Manual</b></p> <ul style="list-style-type: none"> <li>• Make all data from Statements of Information (who is running the business) available online</li> <li>• Respond to Public Record Act requests within 10 days</li> <li>• Process checks within 1 day</li> <li>• Prevent registration of conflicting trademarks</li> </ul>
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8.	Major Milestones	Est Complete Date
	Receive FSR Approval	02/15/11
	Phase 1 (Validate Requirements & Design Database)	08/23/13
	Phase 2 (LP/LLC & Misc Entity Filings)	06/30/16
	Phase 3 (Corporation)	06/30/16
	Phase 4 (Trademarks)	06/30/16
	Phase 5 (UCC)	06/30/16
	Maintenance & Operations	06/30/17
	<b>Key Deliverables</b>	
	Key Deliverables are delivered during each California Business Connect Phases above:	
	TBD	

**INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE**  
**SECTION A: EXECUTIVE SUMMARY**

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**Project Objectives (cont.)**

**Provide SOS IT Technology to Allow Effective Stewardship of Records**

- Capture 100% of data electronically to process, store, and retrieve records
- Allow system crosschecks and validation of 100% of entered data
- Make data available electronically to government agencies in real time
- Reduce turnaround times for business filings from 54 business days to 10 days
- Secure back-up of filed information

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<b>7.</b>	<b>Proposed Solution</b>
	The proposed solution is to solicit solutions-based proposals from the vendor community.

**INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE**  
**SECTION B: PROJECT CONTACTS**

**2.2 Project Contacts**

<b>Project #</b>	
<b>Doc. Type</b>	<b>FSR</b>

<b>Executive Contacts</b>							
	<b>First Name</b>	<b>Last Name</b>	<b>Area Code</b>	<b>Phone #</b>	<b>Area Code</b>	<b>Fax #</b>	<b>E-mail</b>
<b>Deputy Secretary of State, IT &amp; Policy</b>	Mary	Winkley	916	654-8365	916	651-8285	Mary.Winkley@sos.ca.gov
<b>Project Sponsor</b>	Janice	Lumsden	916	653-2328	916	653-4795	Janice.Lumsden@sos.ca.gov
<b>Project Director</b>	Betsy	Bogart	916	651-6973	916	653-1315	Betsy.Bogart@sos.ca.gov
<b>Chief, Information Technology Division</b>	Chris	Maio	916	653-7835	916	653-2151	Chris.Maio@sos.ca.gov
<b>Fiscal Affairs Manager</b>	Linda	Arviso-Hunt	916	653-9445	916	653-8544	Linda.Hunt@sos.ca.gov

<b>Direct Contacts</b>							
	<b>First Name</b>	<b>Last Name</b>	<b>Area Code</b>	<b>Phone #</b>	<b>Area Code</b>	<b>Fax #</b>	<b>E-mail</b>
<b>Doc. prepared by</b>	SOS Staff from ITD, BPD, MSD and PMO		916	651-9532	916	653-4620	Theresa.Finger@sos.ca.gov
<b>Primary contact</b>	Betsy	Bogart	916	651-6973	916	653-1315	Betsy.Bogart@sos.ca.gov
<b>Project Manager</b>	<TBD>						

**INFORMATION TECHNOLOGY PROJECT SUMMARY**  
**SECTION C: PROJECT RELEVANCE TO STATE AND/OR DEPARTMENTAL PLANS**

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**2.3 Project Relevance to State and/or Departmental Plans**

1.	What is the date of your current Operational Recovery Plan (ORP)?	Date	10/2009
2.	What is the date of your current Agency Information Management Strategy (AIMS)?	Date	12/2000
3.	For the proposed project, provide the page reference in your current AIMS and/or strategic business plan.	Doc.	Strategic Plan 2010 -2012
		Page #	4-6

Project #	
Doc. Type	FSR

4.	Is the project reportable to control agencies?	Yes	No
		X	
	If YES, CHECK all that apply:		
X	a) The project involves a budget action.		
X	b) A new system development or acquisition that is specifically required by legislative mandate or is subject to special legislative review as specified in budget control language or other legislation.		
X	c) The estimated total development and acquisition cost exceeds the departmental cost threshold and the project does not meet the criteria of a desktop and mobile computing commodity expenditure (see SAM 4989 – 4989.3).		
	d) The project meets a condition previously imposed by Finance.		

**INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE  
SECTION F: RISK ASSESSMENT INFORMATION**

**2.4 Budget Information**

FSR

<b>Budget Augmentation Required?</b>			
No	<input type="checkbox"/>		
Yes	<input checked="" type="checkbox"/>	If YES, indicate fiscal year(s) and associated amount:	
		FY 11/12	FY 12/13
		FY 13/14	FY 14/15
		FY 15/16	FY 16/17
		\$879,316	\$2,132,716
		\$3,440,036	\$3,438,036
		\$3,438,036	\$0

**PROJECT COSTS (Estimates only for determining a high-level analysis of the project scope/schedule/risks & resources)**

1.	Fiscal Year	11/12	12/13	13/14	14/15	15/16	16/17	TOTAL
2.	One-Time Cost	\$2,100,933	\$3,588,942	\$5,159,112	\$5,255,151	\$5,255,151	\$0	\$21,359,289
3.	Continuing Costs			\$ 199,000	\$ 199,000	\$ 199,000	\$1,772,744	\$ 2,369,744
4.	<b>TOTAL PROJECT BUDGET<sup>1,2</sup></b>	\$2,100,933	\$3,588,942	\$5,358,112	\$5,454,151	\$5,454,151	\$1,772,744	\$23,729,033

**SOURCES OF FUNDING**

5.	General Fund							\$
6.	Redirection	\$1,221,617	\$1,456,226	\$1,918,076	\$2,016,115	\$2,016,115	\$1,772,744	\$10,400,893
7.	Reimbursements/Special Funds <sup>2</sup>	\$879,316	\$2,132,716	\$3,440,036	\$3,438,036	\$3,438,036	\$0	\$13,328,140
8.	Federal Funds							
9.	Special Funds							
10.	Grant Funds							
11.	Other Funds							
12.	<b>PROJECT BUDGET<sup>1</sup></b>	\$2,100,933	\$3,588,942	\$5,358,112	\$5,454,151	\$5,454,151	\$1,772,744	\$23,729,033

**PROJECT FINANCIAL BENEFITS**

13.	Cost Savings/Avoidances	\$	\$	\$	\$	\$	\$5,612,512	\$5,612,512
14.	Revenue Increase	\$	\$	\$	\$	\$	\$	\$

Notes: 1. The totals in Item 4 and Item 12 must have the same cost estimate.

2. In addition to this funding the SOS will need \$280,976 annually in FY 2011/12 through FY 2015/16 for student assistants and DGS fees to backfill BPD staff positions redirected to the project and will be included in the project funding request.

**INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE  
SECTION F: RISK ASSESSMENT INFORMATION**

**2.5 Vendor Project Budget**

<b>Project #</b>	
<b>Doc. Type</b>	<b>FSR</b>

<b>Vendor Cost for FSR Development (if applicable)</b>	
<b>Vendor Name</b>	

**VENDOR PROJECT BUDGET (Estimates only for determining a high-level analysis of the project scope & resources)**

1	Fiscal Year	11/12	12/13	13/14	14/15	15/16	Total
2	<b>Primary Vendor Budget</b>	\$0	\$500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$8,000,000
3	<b>Independent Oversight Budget</b>	\$84,000	\$105,000	\$105,000	\$105,000	\$105,000	\$504,000
4	<b>IV&amp;V Budget</b>	\$104,000	\$130,000	\$130,000	\$130,000	\$130,000	\$624,000
5	<b>Other Budget</b>	\$630,000	\$410,000	\$360,000	\$360,000	\$360,000	\$2,120,000
6	<b>TOTAL VENDOR BUDGET</b>	\$818,000	\$1,145,000	\$3,095,000	\$3,095,000	\$3,095,000	\$11,248,000

------(Applies to SPR only)-----

**PRIMARY VENDOR HISTORY SPECIFIC TO THIS PROJECT**

7.	<b>Primary Vendor</b>	
8.	<b>Contract Start Date</b>	
9.	<b>Contract End Date (projected)</b>	
10.	<b>Amount</b>	

**PRIMARY VENDOR CONTACTS**

	Vendor	First Name	Last Name	Area Code	Phone #	Ext.	Area Code	Fax #	E-mail
11.									
12.									
13.									



**INFORMATION TECHNOLOGY PROJECT SUMMARY PACKAGE  
SECTION F: RISK ASSESSMENT INFORMATION**

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**2.6 Risk Assessment Information**

<b>Project #</b>	
<b>Doc. Type</b>	FSR

**RISK ASSESSMENT**

	Yes	No
Has a Risk Management Plan been developed for this project?	<b>X</b>	

General Comment(s)
<p>The California Business Connect Project Management Team has developed a Risk Management Plan that is detailed in Section 7 of this Feasibility Study Report. The Risk Management Plan (RMP) is primarily based upon the requirements outlined in CTA's California Project Management Methodology (CA-PMM). Where appropriate, methodologies from the Information Technology Project Oversight Framework and the standard risk management approach recommended in the Project Management Institute's (PMI) Project Management Body of Knowledge (PMBOK®) will be utilized as needed to supplement the CA-PMM methodology.</p>

## 3.0 Business Case

### 3.1 Business Program Background

**Business Program Description.** The Business Programs Division (BPD), of the Secretary of State's office (SOS):

- Authorizes businesses to operate in California by:
  - Registering and authenticating business entities;
  - Enabling banks and lenders to protect their financial interests in personal property;
  - Regulating notaries public;
  - Registering trademarks; and
  - Registering business surety bonds.
- Protects individual rights by:
  - Registering domestic partners; and
  - Registering advance health care directives.

To fulfill these purposes, BPD reviews documents for statutory compliance that are submitted by businesses and government agencies for filing. This process is known as "the filing process" and a retained submission is known as a "filing." Upon request, this information is available to California businesses, government agencies and other customers. There are two broad categories of filings - business filings and other statutory filings.

The business filings are used to:

- Provide evidence of the formation, registration, and modification of domestic and foreign business entities, such as corporations, limited liability companies (LLC), limited partnerships (LP), general partnerships (GPs), limited liability partnerships (LLP) and other business entities;
- Provide evidence of the key persons or entities operating the corporations and LLC by filing annual or biennial Statements of Information;
- Provide evidence of the registration and modification of Trademarks and service marks;
- Provide evidence of registrations of business surety bonds;
- Provide personal property lien notices (Uniform Commercial Code (UCC) filings) and tax lien notices to secure lien priority;
- Provide evidence for court cases and law enforcement investigations;
- Provide information to government agencies for taxing, licensing, and regulatory purposes;
- Provide proof of existence or good standing to open bank accounts, obtain licenses, enter into contracts and conduct other official business in California;
- Determine the availability or acceptability of a specific business name;
- Determine the status or public details of a business entity;

- Provide data to financial institutions for their assessment and approval of secured loans; and
- Determine lien priority for secured personal property collateral.

The other statutory filings include:

- Domestic partners registration;
- Written advance health care directive registration; and
- Other filings required by statute.

BPD's customers include:

- The business community (owners, officers, lawyers, accountants, bankers, lenders) conducting business in California;
- Franchise Tax Board (FTB) for assessing and collecting state taxes and penalties;
- Internal Revenue Service (IRS), FTB, Board of Equalization (BOE), and Employment Development Department (EDD) for recording tax liens and for regulatory purposes; and
- California Attorney General's Office (AG), Department of Corporations (DOC), Department of Real Estate (DRE) for regulatory and enforcement purposes.

**Current Business Process Description.** Almost all incoming documents, with the exception of online UCC and Statement of Information filings, are on paper, accompanied by a payment fee and go through the following steps:

- Documents are received by mail or by drop off over the counter;
- Documents are sorted manually;
- Documents are stamped manually with date received by SOS;
- Documents are tracked by manual input into one of two separate legacy information technology systems, an Access database or Excel spreadsheet log;
- Documents are reviewed and evaluated to determine statutory compliance;
- Response is sent to the customer (certified copy of filed documents, acknowledgment letter or rejection comments with return of filing fee);
- Filing fee and (if applicable) expedited handling fee are processed;
- Additional information is captured through manual input into one of two separate legacy information technology systems, or input manually into an Access database, Excel spreadsheet, or even onto three-inch by five-inch index cards;
- Hand tallies are made on paper to track workload; and
- Records retention procedures are followed for storage of documents received .

**Business Workload Description.** Table 3-1 presents a summary of the estimated 2 million BPD document transactions processed annually by SOS. Again, this is currently a cumbersome, manual process, which extends the start to finish turnaround time for handling documents submitted for filing and requests for information. “Requests for information” as used hereinafter, includes certificates, copies and certified copies.

**Table 3-1: Summary of Annual Volumes by Filing Type Fiscal Year 2008/09**

Category	Documents Filed	Documents Processed (includes rejections and resubmissions)	Names Reserved	Name Availability Processed	Telephone Calls	Pages Copied	Certificates Issued
Corporation	114,274	156,230	38,297	90,454	95,522	366,323	64,728
LLC	112,455	130,406	**	**	69,954	**	**
LP	10,598	16,470	**	**	***	**	**
Statement of Information (Corporations and LLCs)	1,077,107	1,312,201	N/A	N/A	150,845	**	N/A
Branch Office *	55,479	62,469	4,305	4,800	140,886	0	12,627
UCC	367,620	375,954	N/A	N/A	14,215	*****	297,230 *****
Trademarks	2,136	4,891	N/A	N/A	****	N/A	N/A
Special Filings	9,430	12,375	N/A	N/A	14,618	2,340	132
Annual Volume	1,749,099	2,070,996	42,602	95,254	486,040	368,663	374,717

\* 3 of the 4 branch offices were closed in 2009 and 2010 due to budget cuts leaving only the Los Angeles branch office. Closing of the branch offices has shifted the workload to either the Los Angeles or Sacramento office.

\*\* These numbers are included in the Corporation workload above.

\*\*\* These numbers are included in the LLC workload above.

\*\*\*\* These numbers are included in the Special Filings workload.

\*\*\*\*\* The UCC section does not track the number of pages copied. The number for UCC certificates issued includes search certificates w/copies, search certificates only, debtor and secured party name inquiries, copies only, view images, and file number inquiries.

## Legacy System History

Prior to 1996, the responsibilities currently addressed by BPD were assigned to four separate divisions: Corporations, LP/LLC, UCC, and Notary Public.<sup>1</sup> In 1996, SOS initiated a business improvement project and contracted with Price Waterhouse LLC to undertake an analysis of operations within each division. The goal of the study was to identify opportunities that would allow SOS to increase efficiencies dramatically, increase the ability to respond to customer needs, and ensure that fees and taxpayer dollars were used wisely.

The 1996 study showed that many processing functions were duplicated within these four prior divisions, and that each of the four divisions was in need of automated support for similar business functions. Subsequent to the study, SOS established BPD, which currently is organized into three sections: Business Entities (BE): Corporations, LLCs, LPs, GPs, LLPs, and other business entities; UCC/Statements of Information; and Notary Public and Special Filings (including Trademarks, immigration consultants, professional surety bonds, domestic partners registry, written advance health care directive registry and other filings required by statute). Each section receives and distributes copies of paper documents through the mail and over the counter, provides some level of document review prior to acceptance or rejection of documents, processes fees, captures information from customers and filings, and responds to requests for information.

In addition, due to the implementation of the Business Programs Automation (BPA) Project in 2006, the UCC/Statements of Information Section also accepts UCC filings online and makes all filed information, including tax liens and other lien-related filings and requests for information available online. However, no automated system of support for similar business functions has been established for other areas of BPD, resulting in many inefficiencies in document processing, cashiering, data capture, and financial and workload reporting and requiring the use of manual processes entirely for support, or manual processes to use the limited information technology resources that are available for such support.

Currently, SOS relies on two separately developed legacy information technology systems implemented in the 1980s that do not meet current industry standards to provide services to SOS customers relating to corporations, LLCs and LPs. These systems currently have significant and irreparable defects, in that they:

- Are segregated;
- Do not capture the data required by statute to be available online;
- Do not integrate with the SOS fiscal system;
- Do not provide financial and workload reporting or reconciliation capabilities;

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<sup>1</sup> BPD also is responsible for appointing and commissioning notaries public, as well as the investigation and enforcement of notary public law violations. The notary public program has an Oracle-based information system and is **not** included within the scope of this project.

- Do not provide continuous online processing of filings and requests for information; and
- Are unable to adapt to legislative and business needs.

Additionally, when the legacy information technology systems malfunction or crash, it causes work stoppages, adding to backlogs and turnaround times. If not fixed for an extended period of time, the malfunction results in loss of income for the state in refunds of preclearance and expedited handling fees for business entity filings.<sup>2</sup> The systems are more than 25 years old and rely on antiquated hardware and software. A further complication is a lack of adequate documentation for the established systems, as well as for programming changes that have been made on an ad hoc basis over the last 25 years. Resources to implement legislative changes, to resolve or prevent frequent system malfunctions and crashes and other problems, often are not available because of the shortage of technical staff with the necessary skills in the outdated programming languages. SOS has relied heavily on contract programmers to create and implement necessary system modifications, which increases both the overall expense to SOS and the length of time to make repairs or changes.

In 2001, SOS received approval for a multi-year, enterprise-wide information technology project, the BPA Project, to automate and modernize BPD's business processes; replacing the legacy information technology systems with a web- and image-enabled client server application, including electronic filing and information retrieval capabilities with integrated workflow and fiscal interfaces. The project was to be implemented in a multi-phase approach, with UCC and other lien-related filings identified as the first phase and Business Entities, Special Filings and Trademarks filings as the second phase. After the UCC phase was implemented, the vendor notified SOS that their business model had changed, and in March of 2006, by mutual agreement, the scope of the project was reduced to UCC and other lien-related filings only, leaving Business Entities, Special Filings and Trademarks with their archaic systems, voluminous paper filings and cumbersome manual processes, including manual fiscal interfaces. Also, as of January 1, 2010, the vendor no longer provides support for the UCC phase. The opportunity still exists to implement technology solutions to address the continuing business problems identified in the BPA Project and in this Feasibility Study Report, as well as to integrate the existing UCC system with the processes for other BPD filings and requests for information.<sup>3</sup>

The merger of four previously separate SOS divisions with already established distinct processes and the challenges faced with modifying deteriorating systems has resulted in at least 23 applications to support the BPD processes of tracking, recording and retrieving vital information. The 23 applications have been individually developed for eight different types of operating systems, eight different types of databases, and 12

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<sup>2</sup> Preclearance and expedited handling fees range from \$250 to \$750 per Business Entity document. Due to the increase in backlogs, SOS receives approximately 140 of these types of requests every day.

<sup>3</sup> The term "requests for information" includes all requests for information of record, certificates, and records requests.

different types of programming languages. Maintaining the existing systems and modifying the systems based on legislative changes is becoming increasingly difficult.

### **3.2 Business Problems and Opportunities**

SOS processes more than two million documents and requests for information annually (see Table 3-1). The majority of the problems and opportunities described below are common to Business Entities, Statements of Information, UCC, Special Filings and Trademarks.

#### **3.2.1 SOS Technology Precludes Compliance with Certain Statutory and Regulatory Mandates**

##### **A. No required web availability of complete Statement of Information data**

Since the 2004 deadline of AB 55 (Statutes of 2002, chapter 1015), SOS has been unable to comply with California Corporations Code sections 1502 and 2117, which require SOS to make all information contained in a Statement of Information filed for domestic stock and foreign corporations available to the public over the Internet in an online database. Limitations on electronic data capture and legacy information technology systems permit only partial compliance with this statutory mandate. The information displayed in a search result for a corporation generally includes the name of the corporation, the SOS entity number, the date of formation (domestic) or registration (foreign), a brief status (e.g. active, suspended), the jurisdiction of organization, the mailing address, and the name and address of the agent for service of process. The displayed information does not include the rest of the information required by Sections 1502 and 2117, such as the listed principal executive address, the names and addresses of the incumbent directors, the names and addresses of the chief executive officer, secretary, and chief financial officer, and a statement of the general type of business that is the principal business activity for the corporation.

The remaining information contained in a Statement of Information is available only by requesting a copy, requiring a customer to submit a paper request through the mail to get the information or drop off the request over the counter in Sacramento. To respond to such requests SOS staff must manually pull the microfilm, make a copy, manually calculate the fee, process the fee, return the paper copy to the customer either through the mail or over the counter, and re-file the microfilm. If an entity has a suspended status, the information displayed over the Internet also does not specify if the entity is suspended or forfeited by FTB or SOS, which increases the number of email and phone calls SOS receives for this information. The additional Statement of Information data also is sought by businesses and government agencies for verification, validation and enforcement efforts.

**B. Difficult to provide responses to customers within 10-day period required by statute**

The majority of the information held by SOS is public information. The information is available for viewing in the SOS Sacramento office only. Copies of records are available upon request with payment of the required fees. SOS is required to provide a response to a request for a public record within 10 days or less and, upon payment of the statutory fees, to provide copies of readily available public records within 10 days or less pursuant to the California Public Records Act. Under current processes, SOS has difficulty complying with most requests, except for UCC and other lien related filings, which are immediately available over the Internet due to the implementation of the BPA Project. Requests for information are handled on a first-come first-served basis with over-the-counter requests receiving priority over mail requests. An additional special handling fee established by regulation accompanies the over-the-counter requests and establishes priority over mail. The major reasons for the delay in processing these requests are the high volume of requests, the fact that paper filings are stored in multiple locations, that some of the data only is available on 3-inch by 5-inch index cards, and that a manual process is required to make each hard copy.

In BE, the current information technology resources can be used only for information inquiries by entity name or entity number related to corporations, LLCs, and LPs of record and are used to perform automated searches to identify limited information about those business entities. However, data capture from the filings is not complete. For example, the current system for corporations accommodates the corporation's address, mailing address, name and address of the chief executive officer and agent for service of process. However, the search capability of the system does not permit a search of these data fields. In addition, in order to determine the names and addresses of the other officers or directors of a corporation, or other information contained in a corporation's filings, the records must be retrieved from at least two different locations,<sup>4</sup> in different storage mediums (paper, microfilm) and must be viewed and analyzed by staff. Also, BPD cannot provide information that is frequently requested by customers to identify all corporations for which an individual is listed either as an officer or as an agent for service of process, since this entity information is not searchable and entity information in the legacy information technology systems is not cross-indexed.

For requests for information, the Corporation and LP/LLC legacy systems are used to confirm entities of record prior to performing a physical search for microfilm or paper records, which are stored in various physical locations on two floors in the SOS facility, or are stored off-site at the State Records Center, due to physical space limitations. If the customer does not accurately provide an entity name, staff uses variations on the legacy information technology system name searches in an attempt to locate potentially

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<sup>4</sup> Microfilm (articles of incorporation and all subsequent filings except statements of information are copied and collected and sorted in one or more film jackets for the entity), microfiche (all statements of information filed on a given date are comingled on the same roll of microfiche), and paper (not all corporate entities have microfilm copies) are stored in different locations. Some very old filings are stored off-site at the State Records Center.



responsive records, as required for customer service and by the California Public Records Act. The name search, followed by the manual search on potentially multiple floors for records, or retrieval from off site, are both time-consuming and resource intensive and cause significant delays in providing responses to customers' requests for information.

For requests for information for other types of business entities, some of the data is available only on 3-inch by 5-inch index cards which must be researched prior to performing a manual search for the hard copy files.

Due to the volume of requests for information in BE alone (164,000 in FY 2009/10) and the reasons listed above, the backlog to produce BE records was up to 19 business days on April 7, 2010, and increased to 36 business days on June 30, 2010. The goal would be to have most of these records available to all customers online at all times, especially to the business community and other government agencies (for enforcement and taxing purposes), thus being able to respond to these requests for records within minutes for those documents that have been imaged. For records that have not been imaged, the goal would be to have records available within 10 days.

### **C. Difficult to timely process fees**

Except for online UCC and Statement of Information filings and paper UCC and other lien-related filings, associated payments for filings and requests for information are not processed for deposit when received. These checks remain attached to the documents or requests for information until the transaction is completed. There is no mechanism for linking the payment and transaction together to confirm payment was in fact received. If the document is filed, the check is processed at that time, often four to ten weeks after the document was submitted to SOS. If the document is rejected, the filing fee check is returned to the customer with the document for resubmission with the corrected document. For requests for information, there is no mechanism to calculate the required statutory fee ahead of processing the transaction, and the check, if any, must remain with the request until the transaction is completed.

Summary of fee processing problems include:

- Most current systems do not have the ability to associate a specific payment with a specific filing or request for information and cannot create a credit account for a specific transaction.
- The lack of an automated interface with the SOS fiscal system results in the need for time-consuming and cumbersome manual procedures and stand-alone spreadsheets to track fee payments, refunds, and to reconcile financial transactions.
- Interest revenue on deposits is lost due to the inability to deposit checks until after processing BE, Special Filings and Trademark filings and requests for information.
- Inadequate controls for payments attached to documents waiting to be processed and lack of auditing procedures create a high risk of payment loss.

- SOS experiences high volumes of dishonored checks due to lengthy processing time. Additional resources (staff time and expense) are required in attempts to recover the monies. In FY 08-09, SOS processed 5,615 dishonored checks totaling \$211,091.72 and collected and cleared 3,032 of these checks for a total of \$136,105.82. SOS only recovers a little over half of the dishonored checks, with the result that services may have been rendered without payment.
- SOS accounting office processed 26,986 Statements of Information refunds and 12,765 other BPD refunds for a total of 39,751 BPD refunds in fiscal year 08-09. SOS issues a check and pays the postage for mailing the refund back to the customer.
- SOS also experiences high amounts of escheated checks, which are checks that are returned as undeliverable. In FY 2008-09, SOS processed 2,723 checks for a total of \$99,404.29. SOS is required to research and re-issue the check if the payee is located.

Currently, SOS returns the filing fee upon rejection of a document for noncompliance with law. SOS cannot process the payment up front because:

- The high volume of rejected, incomplete, inaccurate and statutory noncompliant documents;
- The lack of an accounting system to establish credit accounts tied to specific submissions and resubmissions; and
- The high expense of the additional manual workload to process refunds associated with the high volume of rejected submissions.

Additionally, for requests for information, a determination of statutory copy fees and certification fees cannot be calculated in advance of researching, retrieving and reviewing the actual paper and/or microfilm and microfiche records. Therefore fees submitted with a request for information cannot be processed prior to completing the request.

Due to the volume of paper-based submissions, volume of rejections, manual processes for research and retrieval of filings, and the elimination of the use of overtime and temporary staffing due to budget cuts, backlogs continue to increase, and fees are not processed in a timely manner.

Manual check reconciliation processes are prone to error. The payment and reconciliation processes vary widely within BPD from unit to unit. Payment processing in most areas of BPD involves the use of spreadsheets and/or manual processes with staff running calculator tapes several times on each batch of checks. There is no integration or interface with the SOS accounting system. Instead, manual reports are forwarded to the Management Services Division (MSD), where data must be entered into the accounting system manually. Some BPD bank deposits are prepared by BPD staff, and others are prepared by MSD staff. Even after checks have been prepared for routing to MSD for deposit, the checks may stay in BPD for many days until the appropriate staff has time to reconcile the payments. This failure to complete

reconciliations in a timely fashion continues today and is due to the intensely manual nature of the current deposit preparation and reconciliation processes.

BPD has difficulty complying consistently with State Administrative Manual (SAM) sections 8022, 8023, 8030, 8032.1, and 8034.1 that establish State policy about when money should be deposited, how long any accumulated receipts can remain undeposited, and how unnegotiated payments are to be stored. The backlogs in some areas of BPD are enormous, as much as 97,291 individual documents (this was the Statement of Information backlog as of June 1, 2010, up from 65,000 on March 23, 2010, and is growing). SOS cannot resolve these processing problems without a new automated system. Delays in processing checks have been identified as a problem in previous fiscal audits of BPD payment processing practices.

Additionally, lack of an automated intake and cashiering process exposes SOS to high risk of payment loss. There is no assurance that what is collected is actually deposited, or that funds and accounts are available at the time of deposit. The risk for theft and fraud is an unacceptable risk for SOS and for the state.

A fully automated filing and records system integrated with the SOS accounting system would allow customers to file online, and to submit requests for information online, thus significantly reducing the handling of cash and checks, allowing the immediate processing of online payments, and permitting SOS staff to deposit the reduced number of checks up front at intake of the paper submission to comply 100% with SAM.

#### **D. Difficult to ensure adequate trademark review**

In addition to a review for legal sufficiency of trademark documents, the review of trademark applications for registration requires staff to check trademarks already on file in order to determine if the application can be approved. The pertinent information for trademarks is collected on 3-inch by 5-inch index cards and the applications, specimens and drawing pages are microfilmed. However, there is no viable cross-indexing of the details of the trademark registration, and consequently staff have no way to be certain if all pertinent existing files have been identified and reviewed for conflicts during the application process.

The lack of automated information, including images, indexing and cross-referencing of registration categories and specimens for the review process, similar to the existing federal trademark registration process that has been in effect for many years, significantly hampers the capability to ensure that confusing and deceptive trademarks are prevented from registration as required by statute. In order to enforce intellectual property rights, private parties are required to go through expensive and time-consuming litigation to establish those rights and to remove registrations that should not have been filed.

### **3.2.2 SOS's Stewardship of Records**

#### **A. Records on paper with no data captured electronically**

Pursuant to the State Records Management Act, SOS has the ultimate joint responsibility with the California Department of General Services (DGS) to determine the standards for the preservation of state records. The current records management practices in BPD place vital state records at risk. In the event of a fire, flood or water leak, state records will be lost without an ability to recreate them. Approximately 30% of the state's registered businesses and 100% of the state's registered trademarks and service marks would be lost in such a catastrophe. The LLC, LP, GP, LLP, other business entity, domestic partnership, and most Special Filings documents, are stored only in paper format without any kind of backup copies. As of April 1, 2010, there were more than 679,000 LLCs of record, more than 200,000 LPs of record, and more than an estimated 57,000 other business entities of record whose records are at risk. Also, documents for some very old corporations are kept only in paper format with no backup. Without the paper documents, entities cannot validate their existence for purposes of filing and defending lawsuits, entering into contracts, obtaining loans, or otherwise conducting business, nor can they prove that they have properly terminated business to cease incurring taxes and other liabilities.

Indexes for more than 57,000 business entities are on 3-inch by 5-inch index cards with no backup. One hundred percent of the trademark registration index on 3-inch by 5-inch index cards is paper with no backup.

SOS would be unable to reconstruct these records if current records were lost, critically damaged or destroyed. These risks are unacceptable for businesses, for the state, and for SOS, which is charged with maintaining the permanent records and providing public information upon request.

#### **B. Data Integrity: A lack of uniformity in functionality, data entry, and data capture in existing information technology systems creates data integrity issues**

As noted above, SOS is charged with filing and maintaining records and providing public information, certificates, and copies upon request. In order to assist with these duties, SOS has developed separate information technology systems that capture only some of the information, generate only some copies and maintain only some original filing records. The Corporations legacy system and the LP/LLC legacy system were separately developed and maintained prior to their merger under the current BPD structure and have never been integrated to provide the same information or functionality. In addition, the UCC system, Trademark and numerous Special Filings systems are each completely different and are not integrated. Each information technology system captures different information, which is used for logging transactions, indexing, some cross-indexing, internal research, and to provide information to the public. The capturing of different filing and payment information in the different systems makes it difficult to generate or provide division-wide statistics.

Also, the current legacy information technology systems cannot accommodate changes mandated by legislation or business processes such as information capture, or the addition of species of the same entity types (e.g. Series LLCs, L3Cs, hybrid purpose corporations which currently exist in some other states).

All original filing records are stored and maintained in hard copy form, except for UCC and other lien-related filings within the BPA Project system, which are imaged and purged as provided by statute, and superseded Statements of Information, which also are purged pursuant to statute. However, some original filings are microfilmed prior to storage of the hard copy paper filings. BPD also uses multiple Access databases and Excel spreadsheets (supplemental tools) to capture and track information related to filings.

Key-data entry of information by SOS staff is the primary means of data capture for BPD programs that use databases or spreadsheets. This type of manual data entry is prone to human error, and the lack of data validation for these entries in the databases or spreadsheets means that errors are not discovered timely, if at all. This can result in erroneous information being provided or certified by SOS to the public. Lack of interface with FTB creates delays in suspending corporations and LLCs and returning those entities back to active status.

**C. Unable to readily share vital information with government agencies for taxing, licensing and regulatory purposes**

Many government agencies including IRS, BOE, FTB, EDD, AG, and DRE rely on SOS information to perform their licensing, taxation and other law enforcement and regulatory functions. These agencies have requested access to SOS data and records to assist them with their taxing, licensing and enforcement efforts. However, no direct interface capability exists for these agencies to receive data from SOS or for SOS to receive data from these agencies, except for tax lien filings and lien records made possible by the BPA Project. These agencies must rely on paper requests for information to receive critical data and records from SOS. With the exception of UCC, that can provide these records electronically, all other records requests currently must go through the same time-consuming manual paper process of locating, retrieving, copying and returning the paper document, microfilm, or microfiche to its proper location, which in some cases can delay actions or investigations by the enforcement agencies for weeks.

FTB and SOS are required by statute to share information regarding suspended and forfeited Corporations and LLCs pursuant to the California Corporations Code and California Revenue and Taxation Code. Once suspended or forfeited, filings for the business entity are restricted by statute to a change of name or to perfect an application for tax exemption. A suspended corporation or LLC loses the exclusive right to use the entity name. In many instances, adequate review of a filing submission requires current information being available from FTB. Exchange of data with the FTB is currently through paper, magnetic tape, cartridges, and disks supplemented by faxes that supersede the data on the tapes. When there is a delay in the manual delivery of data

from FTB, certificates of status for business entities, which are needed to open bank accounts, to obtain financing, and to obtain certain licenses, among other things, may be delayed two to four business days until the data can be processed. Multiple FTB faxes are received daily reviving or restoring 40 or more corporations to active status. The recent implementation of the LLC suspension process is likely to increase the number of faxes between FTB and SOS.

This process requires staff to manually research each entity's status and to perform a name availability search and manually input each change of status, or to manually notify FTB by return fax that the name is no longer available and the entity cannot be returned to active status without an amendment being filed to change the entity's name.

Failure to have timely access to accurate information from either agency results in businesses being unable to legally transact their commercial activities in California.

Additionally, data must be transmitted to FTB for domestic formation and foreign registration of business entities to ensure compliance with the California Revenue and Taxation Code, as well as when foreign and domestic business entities file termination documents. SOS also is required by statute to provide AG with a copy of certain nonprofit corporation filings.

**D. Lack of integrated and electronic services and databases makes it difficult to effectively deliver services**

Full SOS customer services are available in the Sacramento office only. The Los Angeles office offers only limited services. Customers that want or need to drop off multiple types of filings or that want or need to make requests for information for multiple types of filings in the SOS Sacramento office must visit separate counters and make separate payments at each counter for each type of transaction (e.g. UCC filing, BE filing, Statement of Information filing, Trademark filing, BE request for information, UCC request for information).

## 1. Paper-based, manual transactions – Holding Area Pictures

The following are representative pictures of holding areas for documents in program areas and the index card filing area for Trademarks.



### Corporation Statement of Information Annual & Biennial Filings

Incoming corporation Statement of Information mail to be reviewed and processed.

(This does not include counter submissions or the LLC Statement of Information submissions)



### Corporation Filings Received by Mail

Incoming corporation filing mail has been opened and sorted, but needs to be tracked into the corporation legacy system.

(This does not reflect LLC, LP or other business entity filings to be tracked)



**Corporation Documents Received by Mail Pending Legal Review**

Corporation documents are reviewed for compliance with law, and if found to be compliant, are filed with this office; if found to be non-compliant, a letter describing the rejection reasons are mailed to the customer

(This does not reflect documents received over-the-counter)



**LLC, LP and Other Business Entity Documents Received by Mail Pending Legal Review**

LLC, LP and other business entity documents are reviewed for compliance with law, and if found to be compliant are filed with this office; if found to be non-compliant, a letter describing the rejection reasons are mailed to the customer

(This does not reflect documents received over-the-counter)





**All Counter Business Filings Pending  
Data Entry and Certification**

Documents found to be compliant with law are filed, and data must be entered into the appropriate databases, and copies of the documents certified; the document is mailed to the customer, or the customer is notified the document is ready to be picked up.



**Corporation Mail Filings Pending Data  
Entry and Certification**

Documents found to be compliant with law are filed, and data must be entered into the appropriate databases, reviewed for quality control, and copies of the documents certified and mailed to the customer.

(Above reflects only half of the corporation mail backlog and does not reflect the mail backlog for LLC, LP, and other business entities)



### **Corporation Documents to be Microfilmed**

After the corporation documents completed the filing process, the documents were microfilmed; microfilm jackets for each corporation were prepared and still must be retrieved if a change document; the microfilm was cut and inserted into jackets; and the jackets are filed in cabinets by entity number.

The microfilm process for these filings has been changed due to the implementation of an interim imaging process.



### **Trademarks and Service Marks Filing System**

After trademark and service mark applications are processed and filed, index cards are created for each mark listing specific information including the name of the mark and/or description of the mark; the application and specimens are microfilmed; microfilm jackets are prepared; the microfilm is cut and inserted into jackets; and the index cards and jackets are filed in cabinets

The huge volume of paper received by SOS requires large areas of physical space to sort, store and process submissions, as well as space in which to file and store the records, resulting in the inability to store the paper records in a single centralized location. Therefore, there is no single location to research or access data or records for inquiries by businesses, other government agencies, and the general public. The lack of electronic records, electronic processing and databases, and the limitations on the information that can be captured in existing information technology systems, force staff to research multiple locations to process requests for information.

**2. Backlogs exist in all areas and processing times continue to increase**

Due to the volume of documents submitted for filing and the lack of available funds for overtime and temporary help, backlogs exist and continue to grow in all areas of BPD. Although reliable filing statistics are not available in all areas within BPD due to the fundamental lack of automation in many areas, filings over the last five years show a trend to maintain or increase the number of filings. Additionally, workload fluctuations occur throughout the year. For example, BE filings workload has oftentimes tripled at the end of the calendar year/beginning of the new calendar year, as entities are trying to terminate at the end of the calendar year and form at the beginning of the new calendar year. BPD budgeted resources for overtime and temporary help previously allocated to address backlogs was more than \$1 million prior to the budget cuts in 2009, when overtime was eliminated and temporary help was significantly reduced.

Table 3-2 below presents the current backlog by program area as of June 30, 2010.

**Table 3-2: Business Programs Division Backlog Summary  
As of June 30, 2010**

<b>Business Programs Area - Documents</b>	<b>Backlog Volume</b>	<b>Processing Times (in business days)</b>
Corporations	21,469	54
Limited Liability Companies	8,740	49
Limited Partnerships	1,169	49
General Partnerships / Limited Liability Partnerships	424	49
Los Angeles (corporation formations only)	1,439	28
Statement of Information (Corporations and LLC)	99,168	48
Special Filings	439	3
Trademarks	214	13

In analyzing the workload statistics that are available in some areas, it is evident that in the absence of improvements through automation, SOS will be required to request additional staff and funding authority to reduce the backlogs and to address any workload increases.

### **3. Current information technology resources do not capture necessary information or images, significantly increasing processing times.**

Most existing filings are available in paper form only or on microfilm or microfiche. The existing filings consist of an estimated 7.2 million records,<sup>5</sup> with an estimated 1.7 million new filings added to this paper system annually.

The process to review filings for existing entities, such as amendments to articles of incorporation, is entirely manual, because current information technology systems do not contain adequate historical data or images to allow staff to fully assess the effect of an amendment for compliance with applicable law. As a result, when a document is received for filing with the records of an existing entity, microfilm files or paper files must be physically located and retrieved from various locations on two floors of the SOS Sacramento office and must be attached to the submitted filing prior to review. Frequently, a request for information and a filing request will be submitted or pending at the same time for the same entity, requiring two different units within BPD to locate the records in the pending process and to share the microfilm or paper files, or to create additional copies. Once the reviewer has completed the evaluation of the file, the film or paper files must be returned to the designated storage location. The review process is delayed by as much as two to three business days because of the need to request microfilm and/or paper documents and the multiple storage locations of these documents.

- The LLC, LP, GP, LLP, other business entity, domestic partnership, and most Special Filings documents are stored only in paper format.
- There is no database for GPs, LLPs, other business entities, most Special Filings and Trademarks.
- Limited data for GPs, LLPs, other business entities and Trademarks are stored solely on 3-inch by 5-inch index cards containing typewritten or hand notations of data.

The need for manual searching of these index cards, or manual creation of an index card for filing, contributes to the delay in processing times for these types of business filings.

The lack of an automated filing and indexing system with an imaging component requires labor-intensive time spent pulling microfilm and paper documents and searching index card files to make the records available for BPD reviewers, BPD records staff, businesses, other government agencies and the public.

Additionally, manual retrieval and filing of paper documents for filing review and copying processes put original records at risk of being lost due to filing errors, such as being placed out of sequence, in the wrong file, or in the wrong location. Misfiled documents are impossible to locate to fill customers' requests for information and are unavailable

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<sup>5</sup> Each record contains multiple filings. Each filing may be comprised of multiple pages.

for staff to review for historical information for subsequent filings, adding further delays to processing times.

#### 4. High Rejection Rates Lead to Rework and Customer Dissatisfaction

Table 3-3, based on compilations of hand tallies, indicates the rejection rates for BPD by processing unit.

**Table 3-3: BPD Rejection Rates**

<b>Area</b>	<b>Rejection Rate</b>
Corporations	26%
LLC, LP, GP	26%
Statement of Information	18%
Special Filings	24%
Trademarks	56%

BPD has developed forms for required and permissive filings, which are designed to be as user-friendly as possible, given that the factual content for these forms must be supplied by the person or entity filling out the form. Despite this, BPD still rejects hundreds of thousands of documents each year. For example, the Statement of Information filing is on a prescribed form that must be filled out and submitted for filing. The Statement of Information Unit processed an estimated 200,000 rejections of these forms in FY 08/09. Many of the errors that cause a document to be rejected are clerical, in which the person or entity completing the form has neglected to complete a required field. This type of error has been eliminated through data validation checks with electronic Statement of Information filings submitted online through the SOS website; however, the existing online system cannot be used by corporations formed to manage a common interest development or any LLCs. Additionally, the existing online system cannot supply a copy of the filed document for use by the submitting entity resulting in eligible corporations choosing not to file via the current online system.

Rejections require customer correction and resubmission by mail or over the counter, and another review of the document prior to filing. The resubmission must go through the same sorting and processing as an initial submission. The rejected documents also generate phone and email inquiries, which require handling by the same staff that otherwise would be processing new filings. The number and duration of telephone calls and emails are increasing as backlogs increase, and more customers are calling for explanations of review, rejection and resubmission procedures to avoid additional errors and delays.

Current information technology systems provide inadequate historical data and do not contain images of historical filings for the business entities contained in those systems, which could be used to validate data entered into those systems, as well as for filing review. Inaccurate information from manual data entry often goes undetected until brought to the attention of SOS staff.

The lack of automated processing of filings, including electronic filings that have system edits and validations, leads to high rejection rates and increases processing times and customer frustration.

### **3.2.3 Adverse Economic Impact to the State**

#### **A. Businesses delayed in starting, hiring employees, opening bank accounts**

Businesses that are delayed in starting operations due to SOS backlogs cannot hire employees, open bank accounts, obtain financing, process payrolls, or conduct business. This results in a loss of revenue for the business, tax revenues for the state, and a delay in offering available jobs to the marketplace. When businesses encounter these situations, they consider starting or moving their business to another state, which further increases state unemployment and decreases state revenues.

#### **B. Partner government agencies unable to use vital data and records for taxing, regulatory and enforcement purposes**

The fact that SOS cannot easily share vital information with other government agencies makes it difficult to collect tax revenue in a timely fashion by preventing taxing and regulatory agencies like EDD and FTB from performing their duties in a timely fashion. Additionally, law enforcement agencies cannot investigate, validate or regulate the conduct of businesses, which prevents those agencies from performing their duties in a timely fashion and may result in harm to the public from unscrupulous persons or entities.

### **3.2.4 Opportunity: Center of Excellence for electronic records processing, storage, and retrieval**

SOS has a huge opportunity to go from a primarily hard copy and microfilm environment to a paperless environment with electronic records storage, retrieval and sharing of data and images. Becoming a Center of Excellence is consistent with the direction from the Legislature to establish standards for the purpose of storing permanent and nonpermanent records in electronic media as provided in California Government Code 12168.7(b) that states "...the Secretary of State, in consultation with the Department of General Services, shall approve and adopt appropriate standards established by the American National Standards Institute or the Association for Information and Image Management."

### **3.2.5 Benefits to SOS**

The benefits of the California Business Connect Project to SOS are:

- Allows businesses to submit applications and filings electronically via the Internet, while allowing SOS staff to focus on other types of customer service (answer phone calls, respond to letters, process other filings, perform customer education, etc.).

- Makes electronic records available through an Internet interface, providing continuous customer access, and eliminates the need for in-person requests to view paper filings, for telephone inquiries and mail requests for information, allowing SOS staff to reduce backlogs and to perform other functions, including other types of customer service.
- Eliminates paper storage, freeing space to consolidate location of in-person services, and reduces risks of losses from flood, fire or other catastrophes.
- Increases the functional capability of the Los Angeles office to better serve customers in Southern California.
- Provides multiple users access to the same files/documents, concurrently.
- Permits fee calculations for information requests in advance, to eliminate processing delays and errors.
- Permits quicker research and response to in-person customer inquiries and customer inquiries coming by mail.
- Eliminates the manual processes, independent databases and workarounds currently being used throughout BPD, by allowing access to an integrated relational information technology system.
- Eliminates staff time spent searching for missing and misfiled records and correcting data entry errors by improving data integrity and accuracy.
- Upgrades BPD's manual paper-based processing with technology, automated document services and automated workflow.
- Creates an automated system that will integrate within SOS and allow easy sharing of data and records with other government agencies.
- Strengthens controls for and improves cash management procedures.
- Provides SOS with a net estimated annual benefit of \$5.6 million (See Section 8 for details).

### **3.2.6 Benefits to Businesses, other Government Agencies and the Public**

The benefits of the California Business Connect Project to businesses, other government agencies and the public are:

- Allows real-time filing and retrieval of certificates and copies of filings to permit businesses to open bank accounts, obtain financing, and generate revenue more quickly with the added tax benefits to the state.

- Allows government agencies to acquire needed information to perform their taxing and enforcement responsibilities.
- Allows businesses to open their business sooner by being able to acquire needed information and services more quickly.
- Improves telephone customer service, by allowing staff to have immediate access to records and information.
- Reduces rejections and customer frustration over the need for multiple submissions of the same document for filing.
- Reduces the processing times necessary to retrieve and file documents.
- Ensures confidential information is only accessible to authorized parties.
- Ensures confidential and private information is redacted from copies per statute.
- Ensures critical documents are recoverable in the event of a catastrophe.
- Decreases storage of paper and space requirements allowing centralization of in-person services.

### **3.3 Business Objectives**

The business objectives of the California Business Connect Project are to:

#### **A. Ensure SOS is compliant with the law and the State Administrative Manual**

- Make all data from Statements of Information (including the principals running the business) available online
- Respond to Public Record Act requests within 10 days
- Process checks within one day
- Prevent registration of conflicting trademarks

#### **B. Provide SOS IT Technology to Allow Effective Stewardship of Records**

- Capture 100% of data electronically to process, store, and retrieve records
- Allow system crosschecks and validation of 100% of entered data
- Make data available electronically to government agencies in real time
- Reduce turnaround times for business filings from 54 business days to 10 days
- Secure back-up of filed information



## **4.0 Baseline Analysis**

### **4.1 Current Method**

#### **Objectives of the Current System**

SOS currently is mandated to accept approximately 250 separate filing documents from businesses and others. For each document, SOS at a minimum must receive the document, assess where to route the document, maintain a record of the submission, assess the acceptability of the filing, if accepted, calculate and collect fees, distribute information about the filing, and make information available to businesses, government agencies, and the general public. These filings have been grouped into 23 separate filing types, according to processing, distribution, publication and other requirements, and by the current automation support. Although the general business processes for each filing are similar, separate application systems and SOS processes have evolved over time for each filing type. As a result, at least 23 separate Information Technology (IT) systems are in use to support 15 of the filing types; the remaining 8 filing types are essentially paper-based manual systems supported only with basic office automation tools.

As described in Section 3, SOS reorganized in 1996 to combine the several separate and independent business units that each performed tasks related to the separate filing types. Although these 23 discrete filing types are fundamentally similar, the anticipated benefits of the reorganization have not been met, largely because of the ad hoc development of information technology systems, and because the current automation does not allow the full utilization of efficient and popular Internet services.

Although each filing type shares most of the same information technology requirements with most other filing types, several of the associated applications support only a few of the requirements. Even the most recently developed application system for the BPA Project, UCC Connect, has significant limitations.

The business objectives of the current separate application systems are fundamentally the same as for the proposed consolidated system: to provide as much automation as possible for the basic business processes of filings, fee processing, records storage and records retrieval. The nature of modern business processes has evolved over time, most dramatically with the evolution of computers and the Internet. It is important to note that the majority of the millions of SOS business filings and requests for information are still received on paper, many handwritten, even when Internet options are available. Information technology has progressed since most of SOS's current systems were designed and implemented, and offers new opportunities for the development of integrated automation solutions for the SOS's business processes and new opportunities for reliable and secure long-term electronic records storage and retrieval.

Additionally, the statutory, business and legal requirements for SOS filings continues to expand. Every few years, SOS is required to begin filing and maintaining a new filing type. Each time, SOS has developed a new information technology system for the filing based on the technologies then mandated by the state data center, preferred by internal staff, or offered by the winning bidder. Although some of these systems have strengths suitable for the specific filing type and currently support a separate business process, none of the systems are suitable for extension to support any of the other filing types and cannot be expanded to support or integrate other business processes or necessary internal or external interfaces. This reactive and ad hoc development practice has yielded a suite of disparate and disconnected systems and applications requiring aged technical skills for support, not commonly available among today's technical community, as well as continuing the need for manual workarounds.

As explained previously in Section 3, SOS received approval of the BPA Project in 2001 to automate and modernize BPD's business processes by replacing the legacy information technology systems with a web- and image-enabled client server application, including electronic filing and information retrieval capabilities with integrated workflow and fiscal interfaces. The project was approved for two phases, with UCC and other lien-related filings identified as the first phase and Business Entities, Special Filings and Trademarks filings as the second phase. After the UCC phase was implemented, the vendor notified SOS that their business model had changed, and in the Spring of 2006, by mutual agreement, the scope of the project was reduced to the first phase only, leaving Business Entities, Special Filings and Trademarks with their archaic systems, voluminous paper filings and cumbersome manual processes, including manual fiscal interfaces. Also, as of January 1, 2010, the BPA Project vendor no longer provides support for the project. The BPA Project resulted in the customization and modification of a commercial off-the-shelf (COTS) product to support most of BPD's statutory and business requirements for UCC and other lien-related filings, but, as expected with early termination of the project, the UCC system has fallen behind changing business and statutory needs, uses an out-of-date information technology platform, is not compatible with currently-supported information technology platforms and now also must be considered in any SOS filings re-automation effort.

### **Business Processes for Filings**

Each type of filing received at SOS generally is subject to a similar set of processes. However, not all of these processes are applicable to each filing type. Major business processes, depending on filing type, required for existing filings include:

- Track filings  
The procedures associated with assigning management metadata to filings, monitoring work flow and work in progress to ensure that each filing transaction is processed to completion.

- **Paper filings**  
Specialized tasks are required for some, but not all filings, when the filing is received on paper, including imaging the filing document and keying data from the filing into a partially indexed legacy database.
- **Web filings**  
Provision of an interactive website to allow entry of filing data directly into SOS information technology systems. In many cases, this is the lowest-cost and most-accurate method of receiving filings, but is available only for UCC filings and some, but not all, Statement of Information filings.
- **Upload filings**  
Transmission of filings, in a standard electronic format such as XML, directly from the filer or an agent. This support is often desirable when filers, or their accountants, attorneys or other service providers, already maintain the required data in electronic form. However, this capability is available only for UCC filings.
- **Fee processing**  
Calculation of the fees required, with adjustments and procedures for tracking payment, relating payment to an account or a particular filing, no payment, underpayments, overpayments, and dishonored payments, if necessary.
- **Expedite/special handling**  
Provision of an additional mechanism with an associated fee to speed transaction processing time, which requires a refund to be generated if the processing time is not met.
- **Data input and validation**  
Manual entry of partial data from the submitted filing and confirmation for consistency with business requirements, or verification of the accuracy and acceptability of data received electronically or captured from paper filings. Although some system edits are available for existing systems, full support includes input editing and validation through manual processes.
- **Redaction**  
The scanning of UCC filings for data that must be redacted from publicly released versions of the filing, and securely removing that information from the public versions, while retaining the complete record for authorized use.
- **Receipt generation**  
Generating the appropriate document or other notice to notify the filer that the filing has been received and accepted for filing and to acknowledge the fee payment.
- **Notice generation**  
Notification, electronic or otherwise, to filers for specified filing types, government agencies and other third-party data users who require notice that a filing has been received, processed, pre-cleared, expedited or updated, or that an entity has been cancelled for nonpayment of required fees.

- **External status interface**  
The processing of status updates from FTB for suspension, revivor, and restorations of corporations and LLCs. For example, entity status may be suspended or forfeited upon notice from FTB.
- **On-demand reporting**  
Generation and transmission of reports from filing data and metadata either on demand or in accordance with statutory or pre-established needs.
- **Restricted database access and search**  
Allowing identified and authorized users to access and search authorized portions of restricted data, either through direct interface to the application or through a restricted website.
- **Bulk data access**  
Transmission to or otherwise allowing authorized users to obtain copies of complete or portions of filing and related database content, or database extracts for external use.
- **Information access fee**  
Calculation and collection of fees required for data reports and system access, and providing or denying service based on fee payment status.
- **External electronic data reporting**  
Creation of specialized data streams regarding filings or other system contents for transmittal or direct access by authorized users.
- **Web-based data access and search**  
Providing online access to searchable limited abstracts of filing and other data.

### **Information Technology Support Functions**

In addition to the business processes outlined above, the use of information technology to assist in performing those processes requires that certain additional functions be performed to maintain the accuracy and integrity of the data and assist in managing the overall processes. However, due to specific information technology limitations, SOS currently cannot provide all of the desired support functions for the business processes. These functions include:

- **Internal management and financial reporting**  
Capturing key metrics for management and analysis of filing data and processes, generating standard reports, including auditing and budget reports, and providing for ad hoc reporting and data analysis.
- **Source document archive**  
Allowing the purge of original filing input data streams, or images of paper documents from the system, as necessary to optimize data storage and preserve those filings in an archival format that can be verified to be the same as received and restored to the system as necessary. For paper documents, this task may include processes to ensure that the original paper filing is both retained and

locatable for reuse, or suitably replicated so that the paper may be discarded per records retention schedules.

- **Archived document search and access**  
Providing the ability to search for archived documents based on metadata and to retrieve those archived documents for processing or review.
- **External financial and accounting**  
Allowing secure interfaces to credit/debit card services, accounting systems, funds transfer and related external systems.
- **Access and authorization**  
Providing the ability to identify human and electronic users of the system, and to restrict the ability of those users to functions and data according to assigned authority.
- **Privacy**  
Providing the ability to designate information in the database as private, and to ensure that this information is not accessible to unauthorized users and is not included in reports or other publications.
- **Audit logging**  
Providing the ability to identify when filing and related data is added, changed, accessed or deleted, and by which user or automated process.
- **Integrity**  
Requiring independent processes to provide assurances that the information contained in the database and in external presentations of the database is consistent with the actual filing and properly reflects updates and other changes applied to the data or filing metadata by SOS. No such systems are currently in place at SOS.

### **The ability of the system to meet current and projected program and workload requirements**

Each of the different filing types has specific program and workload requirements that differ somewhat, and each of the different current IT systems provides a different level of quality assurance for those requirements.

Several filing types currently have workload backlogs, and those backlogs are generally growing due to budget cuts and filing volumes.

No filing type is fully supported in all of its business functional and related information technology requirements. Although UCC filings are supported by the most complete information technology system in use at SOS, the UCC system provides inadequate management controls and cannot readily be modified to accommodate changes in legislation or business requirements. Support for the other filing types varies from incomplete, with essential and valuable functions poorly supported, to nonexistent with no IT support provided.

Only the UCC system provides meaningful management reporting and controls. Although other existing systems require payment of fees for filing and/or data access, only the UCC system and E-file Statements of Information support credit card payments and filings online, and no system currently maintains direct interfaces to the SOS accounting system (CalSTARS).

Several of the systems described below are augmented by standard office automation tools, generally Excel spreadsheets for tracking management information, and Microsoft Word mail-merge processes to generate documents and notices. These tools are considered to be manual processes for this Feasibility Study Report.

There are at least 23 discrete information technology systems currently in use to support business filings. These systems include:

### **Corporation Legacy System**

The Corporation legacy system is an OTech mainframe system based on IBM Assembler, ADABAS, Natural and VSAM. It is a large and mostly stable application used for supporting the largest portion of filings received by SOS. However, initially developed more than 24 years ago, it is increasingly difficult to modify to meet changes in statutory, regulatory and business requirements. The system is subject to occasional outages as original design limits are exceeded; and because the Assembler portion of the system requires the application to “run below the line,” it presents special problems to both SOS and state data center staff when mainframe software upgrades are required. Although SOS supports this application internally, the legacy skills required are no longer common in the state workforce, and recruitment to mitigate attrition is very difficult.

External interfaces include FTB to send and receive notices of suspensions and forfeitures, Office of State Publishing (OSP), which prints and mails notification documents related to Statements of Information, and customers who receive bulk data transfers. However, the process to revive and restore FTB suspended and forfeited entities is a facsimile exchange of data and requires SOS staff to perform a name availability search using the Corporation legacy system.

The most serious functional problem with the Corporation legacy system is that much of the data, including information that is required to be captured by statute, cannot be captured or stored in the system. The system data also cannot be integrated with the LP/LLC legacy system and does not support web and other electronic interfaces to customers; so information from filings must be keyed by SOS staff, despite substantial customer demand for direct entry mechanisms. Web-based search of data extracted from the system is provided through the separate California Business Search application (described below). Because substantial valuable data cannot be stored in the database or is available only as images (which are not supported by the Corporation legacy system), statutory requirements and customer needs cannot be met.

### **BE Image System**

A separate, standalone system has been implemented on SOS Microsoft Windows servers to capture, store and retrieve images of paper filings for the Business Entities Section (BE). This system, BE Image, was designed as an interim solution using existing technology —SQL Server, ASP.Net, C#.Net, Transact-SQL and Kofax Capture (originally acquired for the discontinued BPA Project), and will begin to reach design limits within a few years. The BE Image system provides images only for internal use by SOS staff; no interface is provided for public search and retrieval of images.

### **E-File Statements of Information for corporations**

Another separate system that supports interactive web filing is limited to some, but not all, Statement of Information filing for corporations. Also, this system currently does not allow LLCs to file Statements of Information via the web. This application is housed on SOS Microsoft Windows servers and is based on Oracle 11g, Perl 6.4 and ASP Classic. The E-File Statements of Information application interfaces with the Corporation legacy system through daily batch data extract updates.

### **LP/LLC Legacy System**

Like the Corporation legacy system, the LP/LLC legacy system that supports limited partnership and limited liability company filings is also a mainframe application that runs on a platform operated by OTech. It is based on VSAM, CICS COBOL, COBOL 370, BMS-Maps, ADABAS, and Natural. As with the Corporation legacy system, the LP/LLC application has limited functionality, limited data capture, and is increasingly difficult to modify to meet changes in statutory, regulatory and business requirements. SOS staff maintains this system. Recruitment of personnel with necessary skills for maintenance and support is increasingly difficult, especially for CICS COBOL.

As is the case with corporate data, the California Business Search application provides limited web access to abstracts of data stored in the LP/LLC legacy system, and not all filing data can be captured to be extracted for searching or displaying on the web. Additionally, the LP/LLC legacy system has no functionality for image capture or support for image access.

There is an external interface to FTB to send and receive notices of suspensions and forfeitures. However, the process to restore or revive FTB suspended and forfeited entities is a facsimile exchange of data and requires SOS staff to perform a name availability search using the LP/LLC legacy system.

A separate, standalone system based on Access 2000 is used to track the receipt and processing status of LLC and LP filings; this Access application does not support LLC Statement of Information filings. An internal effort is underway at this time to replace this Access application with an interim system developed using ASP.NET. Additionally, the LP/LLC legacy system does not accommodate the functionality for the statutory preclearance and expedite processes, so the Corporation legacy system is used for a portion of that required functionality.

Other functional problems with the LP/LLC legacy system are similar to those of the Corporation legacy system.

### **California Business Search**

This standalone application for searchable business entity data is housed on SOS Redhat 5.5 and Microsoft Windows 2008 Standard servers and provides public web access to limited data extracts from the Corporation and LP/LLC legacy systems searchable by entity name or number. The application is based on MySQL 5.0.77, ASP.NET and C#.NET.

All data available through the California Business Search is downloaded weekly from the Corporation and LP/LLC mainframe files.

SOS currently does not have staff with MySQL skills. Although the application is functionally stable because of data availability limits from the source systems, maintenance is periodically required and generally must be performed by contractors.

No external interfaces are provided.

### **Corporate Disclosure Search**

This is a two-part application for providing searchable information for publicly traded corporations using an SOS Windows 2000 desktop-based Access 2000 application for data entry, with data uploaded for public web access through an Oracle 11g, Perl 6.4 and Java application housed on SOS Windows 2008 Enterprise and Fedora 5 servers.

No external interfaces are provided.

### **Successor-In-Interest Search**

This is a two-part application for providing searchable information for persons registering a claim to be successor-in-interest to the rights of a deceased celebrity. The searchable application uses an SOS Windows 2000 desktop-based Access 2000 application for data entry, with data uploaded for public web access through the use of CGI scripts executed by the web server.

No external interfaces are provided.

### **UCC and UCC Connect**

UCC is the COTS-based product developed and implemented during the first phase of the terminated BPA Project. It runs on 20 Microsoft Windows servers owned and operated by OTech. The original COTS product was extensively modified to meet SOS requirements, and is based on Oracle 9i, Visual Basic 6, Crystal Reports 8.5, Microsoft Office 2000, Kofax Capture 8, and Unisys eWorkflow & Imaging (UeWI) 8.0.



A separate application called UCC Connect, also COTS-based, runs on the same server complex as UCC and is written in Oracle 9i, ASP Classic, and UeWI. This UCC Connect application provides web access for UCC filings and information search and retrieval. It shares the database with UCC.

This is a full-function application, and meets most SOS customer requirements; however, the application suffers from several fundamental flaws. Limitations in the user interfaces requires direct access to the database to correct many data-entry errors and to apply post-filing updates; this process is risky, bypasses controls, and requires highly-skilled personnel. The core COTS is no longer supported by the manufacturer, nor are the custom extensions developed by the manufacturer for SOS. Moreover, the core COTS depends on Visual Basic 6, which is not supported on current versions of Windows; this presents a growing security exposure for the application, and will eventually lead to support concerns by OTech. OTech has few customer applications that use Oracle on Windows, and is unable to provide full support.

### **Domestic Partners Registry**

This is a relatively new and fairly robust application, though it supports a relatively small number of filings. The core application is housed on SOS Windows servers, and is based on Oracle 11g and PowerBuilder 7.0.3.

A separate application, running on SOS Windows servers and based on Oracle 11g and ASP.NET, provides support for the Domestic Partners Active Mailing List.

User satisfaction with the application is high due to a well-designed user interface. Although this application is essentially isolated to SOS for archiving historical data—no document imaging, workflow processing, management and financial reporting, payment processing, or web or other external electronic interfaces are provided—demand for such access is low.

SOS does not maintain staff with PowerBuilder expertise, so contract staff must perform maintenance and modifications.

### **Immigration Consultants**

This is a low-volume system implemented in response to recent legislation that requires specific information to be accessible over the Internet. Internally developed, it runs on SOS Windows 2003 servers and was developed in SQL Server 2005 and ASP.NET.

The system is very limited in functionality, but does support capture of digitized photos of the filers, and provides public web access to all publishable data. Online submission is not supported, but is problematical in that applications must be accompanied by a surety document and applicants must pass a background check, which must remain confidential. There may be some unmet demand to accept submissions and updates from surety companies electronically; these are currently received on paper and are processed manually. The system provides no management reporting or controls, workflow processing, payment processing, document imaging, and no other interfaces.

### **Advance Health Care Directive Registry**

This is a very simple system with limited functionality, but little current unmet demand. Based on SQL Server 2005 and ASP.NET, it runs on SOS-owned Windows 2003 servers.

The Advance Health Care Directive Registry system currently provides no external interfaces, no management reporting or controls, workflow processing, payment processing, document imaging and allows neither web filings nor Internet access to data. Although there has been past Legislative and other interest in providing web support, the difficulties of verifying filer and other user identity data and the extreme sensitivity of the data currently preclude such extension. All filings are processed manually.

### **Access Databases**

SOS has developed several separate Access databases to support filings and other statutory functions, including separate databases named Trademarks, Business Bonds, Athlete Agents, Builders Agent for Notice, and Substituted Service of Process. All of these applications were developed internally by end-user staff using Access 2000 and are run on SOS Windows desktop workstations.

All provide minimal functionality—Trademarks captures only rejected filings in the database—and all are subject to the inherent stability, security, integrity and maintenance limitations of Access. No external interfaces are provided for any system, but some demand for web filing and web accessibility exists for several filing types.

Access databases present several special problems. Access databases are inherently difficult to secure, since they are generally implemented on workstations, and each workstation generally stores—in several locations—all or portions of the complete database. It can also be difficult to ensure that each workstation is using the same code base. Moreover, maintenance and support is very difficult, ironically because the databases can be so easy to implement. The Access databases in use at SOS were developed by end-users without input from SOS Information Technology Division (ITD) staff, and without either standard programming methods or documentation. In addition, most of these applications were developed in the out-dated Access 2000; migration to the more-current Access 2007 often requires a complete redevelopment of the application.

### **Manual Processes**

Seven of the existing filing types are unsupported by an information technology system. Another is supported only by a shared Excel spreadsheet. Seven other filing types, including those related to corporation, limited liability company, limited partnership and partnership formation and updates, are only partially supported by information technology; the majority of the data from these filings is not stored in a database. Information technology support for several systems contains minimal data, or contains only tracking metadata. The metadata information for trademarks is collected on 3-inch

by 5-inch index cards. When paper-based filings are not supported by either a database or imaging, only microfilming provides any protection of filed information from loss due to fire or other facility disasters. As noted in Section 3, only limited records are microfilmed. Of course, the lack of an automated database also prevents the use of the Internet to provide public access to the data or to accept a filing directly from the web.

### **Level of user and technical staff satisfaction with the current system**

User satisfaction ranges from very high, for the low-volume Domestic Partners Registry application, to frustration with the remaining flaws in the otherwise robust UCC application, and resigned toleration for the severe limitations of the Corporation and LP/LLC legacy systems. However, none of the existing systems, except the UCC system, have integrated workflow, payment processing, document imaging, complete information capture, management reporting and controls, or complete web-based filing and request for information capability.

SOS technical staff is most satisfied with the recently developed ASP.NET/SQL Server applications (e.g. BE Image system), as these were developed based on clear user requirements using current technologies. However, the BE Image system was intended only as an interim solution and is projected to last three to five years. The remaining systems require skills no longer commonly held by technical staff, and, in the case of the Corporation, LP/LLC and UCC systems, require substantial technical efforts to work around system failures and data problems.

### **Data input, related manual procedures, processing, and output characteristics**

Every filing type requires support for paper filings; in many cases, all filings are received on paper, often written by hand. Data on paper filings must be entered manually into a database, and often only a portion of the data in the filing is entered into a database, requiring frequent reference to the original filing documents or, when available, images of those documents.

Because nearly every filing involves paper documents, imaging support is needed for nearly every application, but is only fully available for UCC. The BE Image system, an interim solution for imaging business entity filings is not integrated into a core application and is not designed for long-term use. However, because substantial essential data for these filings is not stored as electronic data, in the absence of imaging systems, the paper filings must be kept on hand causing problems with storage, difficulty in retrieval, and risk of loss.

Nearly every filing also has some demand for external access; and is either provided through manual retrieval and copying of documents or with a few exceptions, is addressed through the provision of abstracts of bulk data on CD or through FTP.

### **Data characteristics (content, structure, size, volatility, completeness, accuracy, etc.)**

In most cases, the data captured from filings is not extensive, and changes only when updated by a new filing. However, existing systems have few, if any, data validation or system edits that require implementation of business rules. Most data validation is

through manual processes established for some quality control, or comes from errors being brought to the attention of SOS staff by customers or the general public. Additionally, some filings, such as UCC, require ancillary documents, which are maintained in the UCC system only as referenced attachments or images. In most cases, the data submitted on the filing documents constitute the information of record; it is neither corrected nor augmented by SOS, except for the addition of metadata and the redaction of private information for public copies.

Images of paper filings create very large data files. As filings often are required to be retained for long periods of time, these image files require large amounts of storage.

### **System provisions for security, privacy and confidentiality**

Security for most of the current systems is provided only by platform software: RACF for mainframe applications, augmented by Natural for those using ADABAS or Oracle Database Security for those using Oracle databases, and Active Directory for Windows-based applications. No significant additional security is built into the system applications.

Several filing types require private information to be contained in the filings. In the case of Advance Health Care Directives and International Wills, the filings are inherently private. Many filings allow or require the submission of supporting documents that may, perhaps inadvertently, include private information.

Private information included by the customer usually is not included in the database itself, but any images containing this information must be redacted before the image is made accessible to the public. This redaction is generally performed manually, although automation has been applied with some success to redact data from a large number of UCC images.

### **Software Characteristics**

Almost all of the various systems are implemented in legacy, unsupported or inappropriate (e.g., Access databases) software environments. Specific issues are identified in the discussion of the individual applications above.

### **Internal and External Interfaces**

Several systems employ internal interfaces to exchange data between system components, generally between mainframe databases and web applications used for external data access and web filing.

The Corporation legacy system processes corporation suspension and forfeiture transactions received from FTB. This application also generates electronic notice of new and updated corporate filings to FTB and AG. EDD and AG also receive paper records that could be handled electronically. Notices for some SOS suspension or revivor status updates are sent to FTB via FTP. The Internal Revenue Service (IRS) uses the UCC system for bulk filings related to federal tax liens. Other government agencies have

expressed interest in having an interface for regulatory and enforcement purposes, but current systems do not have the requested data or functionality.

Also, no application currently supports an electronic interface to the SOS accounting system, CalSTARS, although several applications process fees for filing and data access.

### **System Documentation**

User and technical documentation for most systems is informal and incomplete; most systems completely lack useful documentation of any kind.

### **Failures of the current system to meet the objectives and functional requirements of an acceptable response to the problem or opportunity**

Please refer to Section 3 of this Feasibility Study Report for a complete discussion of this topic.

## **4.2 Technical Environment**

### **The expected operational life of the proposed solution**

The proposed solution should be designed to remain in use indefinitely; there is no anticipated end to the need for the solution, and demand for the retention of system data in useable form is likely to extend for decades.

The business processes and government functions supported by the existing and proposed systems are both longstanding and long-term. Legislative and regulatory changes often require new functions and capabilities. Technical evolution has driven a continuing trend to greater use of electronic communications, including a demand for increased detail and volume of reporting and summary analysis of system data.

### **The necessary interaction of a proposed solution with other systems, agency programs, and organizations (such as sharing of information or intergovernmental data exchange).**

Current interface requirements are outlined in the discussion of the application systems above. The existing filings that do not support web access for filing and for search and retrieval of filing data would benefit by the availability of such interfaces.

### **State-level information processing policies, such as the enterprise systems strategy.**

As an independently-elected constitutional officer, SOS maintains independence from executive branch state-level information processing policies. However, SOS appreciates the importance of interoperability with systems operated by or for other state and non-state government agencies, and is committed to a technical standards-based approach for its information technology solutions.

The California Business Connect Project aligns with the 2010 California Information Technology Strategic Plan for enterprise IT management fostering shared values and

common IT approaches, integrating technology and promoting data sharing, making state government information transparent and accessible, and developing enterprise applications with standard interfaces.

The Archivist of the State of California serves under, and at the pleasure, of the Secretary of State. The Archivist is charged with strategies for the preservation of historical records, including identifying records for entry into the Archives' appraisal process. SOS and Department of General Services (DGS) are charged with ensuring records are not destroyed prematurely and with approving and adopting standards for storing and recording permanent and nonpermanent records in electronic media. (Government Code sections 12168.7 and 14755.) SOS therefore believes it is especially responsible for ensuring that information technology systems it implements to record, replace or supplement official state filings and vital records must fully conform to, and should exemplify, ANSI and AIIM standards for such systems.

### **Agency Policies Related to Information Management**

SOS places a very high priority on the protection of private information, and requires that applications be designed, implemented and operated so that the use of information technology does not compromise the security and other safeguards for this information.

### **Anticipated changes in equipment, software, or the operating environment**

The current operating environment for all of the major applications except those operating on the OTech mainframe is at imminent risk of losing manufacturer support.

The COTS product used to develop the UCC application depends heavily on Visual Basic 6, which is not supported on current versions of Microsoft Windows. OTech has expressed increasing concern about its ability to secure the version of Windows required for this application, and OTech has suggested it also may be forced to end support.

Minor applications developed using Access databases on desktop workstations were not developed by trained ITD staff, and are not supported by ITD.

### **Availability of personnel resources for development and operation of information management applications, including required special skills and potential recruitment**

State personnel with skills to support Assembler, COBOL 370, CICS COBOL, and ADABAS Natural are leaving the workforce due to retirement, and few new personnel are developing these skills. Contractor availability with these skills is also decreasing rapidly over time. Ancillary skills for these applications, particularly MVS JCL, are also increasingly scarce.

State personnel with skills in PowerBuilder and Perl have always been few in number; contractor availability remains acceptable but is decreasing.

Very few personnel, state or contractor, ever developed expertise in the UeWI and Kofax environments used for UCC image processing.

## **Existing Infrastructure—Standards**

### **Desktop Workstations**

SOS uses Windows desktop workstations almost exclusively within all portions of the organization, including all functions related to the existing and proposed system for business program support. These workstations are nearly all less than four years old, and are suitable for use with most commercially available Windows-based desktop automation software products. Currently, nearly all desktops are using the Windows XP operating system; plans are currently underway to convert most of these devices to use Windows 7. SOS has no current plans to implement Windows Vista on production devices.

### **LAN Servers**

The LAN server environment at SOS is based on Windows 2003 file servers. Active Directory has been fully implemented.

### **Network Protocols**

The principal network protocol in use at SOS is TCP/IP.

### **Application Development Software**

The SOS application environment is unusually varied for a department of its size, primarily because SOS has several disparate business functional environments that were each separately developed by different technical teams, often external contractors, over a period of nearly thirty years. Consequently, SOS currently uses applications for business filings functions that were developed in at least 15 different application environments, and depend upon the continued maintenance of a suitable operating environment for each, including:

- MVS Assembler
- COBOL 370
- CICS COBOL
- ADABAS
- Natural
- C, C#, Pro-C
- ASP Classic
- ASP.NET 1.1, 2.0, 3.5
- PowerBuilder
- Visual Basic 6
- Oracle 11g and 9i
- Crystal Reports
- Microsoft Access
- Perl 6.4
- Java

Since 2005, SOS has maintained a strategic direction towards the use of Microsoft ASP.Net as its preferred internal development environment, and has actively recruited and trained its internal applications staff in the use of this environment for the development and enhancement of small — limited number of users and distribution of data — functional applications.

SOS applications development and support staff is not capable of an application development effort of the size and complexity required for a comprehensive BPD filings and retrieval application, although it has long maintained the applications that currently provide partial support for these filings and requests for information, and has developed some of the newest applications for recently mandated filings (e.g. immigration consultants, advance health care directives). But even though SOS has the institutional background, staff and management to provide long-term support for developed applications, as well as acquired insights that will be valuable during the proposed development project, SOS does not believe that the skills of the current SOS staff should restrict or bias this procurement.

### **Personal Productivity Software**

SOS currently employs Microsoft-based personal productivity software for nearly all SOS desktop workstations and staff. These products include Microsoft Outlook, Word, Internet Explorer, Excel, and PowerPoint.

SOS has deployed a proprietary set of applications to support personnel transactions, timekeeping, and leave accounting. These applications were developed for SOS and the Office of Emergency Services by a local contractor, and are based on the IBM Lotus Domino collaboration software environment.

### **Operating System Software**

Most of the existing business program support applications are operated on platforms supported by the state data center. The legacy portions of the Corporation and LP/LLC legacy systems were originally developed for applications running on the IBM OS/370 operating system. After three decades of relatively routine migration, they are currently operated on data center-owned equipment using current levels of CICS COBOL and ADABAS on data center operated IBM mainframe processors using the IBM z/OS operating system. All server hardware, operating system and database management software for this application are standard service offerings supported at published rates at the state data center.

The databases that support the BPD applications Corporate Disclosure Search, E-File Statements of Information, and Domestic Partners Registry are Oracle 11g running on a Windows 2008 cluster.

The UCC application was developed in the early 21<sup>st</sup> century on a Unisys proprietary hardware environment to run the Microsoft Windows 2000 Data Center operating system. The application, based on Microsoft Visual Basic and Oracle Database application software, uses a proprietary Unisys product (UeWI) and Kofax for image



storage and retention. In 2007, SOS migrated the application to Windows Server 2003, but Visual Basic 6 and Oracle 9i are unsupported on the newer version of the Windows operating system. The Windows Server 2003 operating system will not be supported after July 2015. All server hardware, database management and operating system software for this system are standard service offerings supported at published rates at the state data center.

The Advance Health Care Directive application was developed using the Windows .Net environment. Several ancillary applications, including those providing access to BE images, mailing list support for the Domestic Partners Registry, the web interface for E-File Statements of Information, and California Business Search, have been maintained to operate on current levels of the Windows operating system and ancillary (scheduling, security, backup, auditing, monitoring, etc.) software. These applications are currently operated on Windows 2003 servers owned and maintained by SOS.

The MySQL database is housed on a server running the RedHat version of Linux.

The two-part successor-in-interest application for providing searchable Internet information for persons registering a claim to be successor-in-interest to the rights of a deceased celebrity, uses an SOS Windows 2000 desktop-based Access 2000 application for data entry, with data uploaded for public web access through the use of CGI scripts executed by the web server.

Access databases used to track histories of certain filing types are maintained on workstations using the Windows XP operating system owned and maintained by SOS.

### **Database Management Software**

- The Corporation legacy system uses SAG ADABAS database management software; all functions have been maintained to use current levels of the software as supported by the state data center. Some portions of this application also use VSAM files. The LLC/LP legacy system also uses VSAM with some ADABAS.
- The UCC system uses Oracle 9i database management software on a Windows platform owned and operated by the state data center and dedicated to SOS.
- E-File Statements of Information uses Oracle 11g running on an SOS-owned Windows Server.
- Microsoft Access 2000 is used to support small filing applications, and to provide data entry and other ancillary functions for some other applications.
- The California Business Search uses the MySQL database running on an SOS-owned Windows 2008 Enterprise Server cluster.
- SQL Server 2005 and 2008 are used for Immigration Consultants and for the BE Image applications, respectively.

**Application Development Methodology**

SOS does not currently employ a standardized application development methodology, nor does it require contractors to use a specific standard.

**Project Management Methodology**

SOS uses the PMI CA-PMM. The application development manager has received her PMI-PMP certificate.

## 5.0 Proposed Solution

SOS will seek a solutions-based procurement. Based on the business case presented in Section 3, SOS anticipates vendors will likely include some form of document imaging and scanning and automated workflow with web-enabled continuous access for businesses and other government agencies to file documents with SOS, as well as retrieve filed documents and data of record with SOS. The automation effort will result in an improvement to the archaic, manual business processes conducted today for the more than 2 million paper documents and requests for information received each year for processing. More details about the technical solution will be outlined in a Special Project Report (SPR) to be filed after vendor responses to the Request for Proposal (RFP) are received, and a vendor is selected.

Following analysis of the availability of automation technology for SOS processes in the public and private sectors, including systems implemented by other government agencies and conducting a market analysis, SOS has determined that a solutions-based procurement is necessary, and will seek a customized application development solution to meet SOS business needs. This was determined after extensive monitoring and market research was conducted, which included:

- Using consultants to conduct research of states that process similar filings;
- Discussing with delegates at the annual International Association of Commercial Administrators (IACA) conference what other states are doing;
- Conducting our own research by survey of the IACA membership in May 2010;
- Visiting North Carolina in 2008 to assess its existing system; and
- Monitoring and extensive analysis during the BPA Project conducted by SOS from 2001 to 2007, and post-BPA Project termination, including participating in other government and nonprofit organization conferences and meetings with other California state agencies.<sup>6</sup>

North Carolina's system, which seemed to be the closest to meeting SOS needs, was assessed by ITD staff as meeting only 30 to 40% of our business rules, handling a significantly smaller volume, and having government accounting systems that differed significantly from California's CalSTARS accounting system.

The IACA survey confirmed that there is no one integrated single system available that meets the business needs of SOS. Most states using automated technologies for similar processes have un-integrated piecemeal systems, which used significant custom development to integrate what they could. Also, states that did use a similar type of automation had transaction volumes that were so small that the probability of the system being able to handle California's business rules, variety and volume was

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<sup>6</sup> Once it became clear that the BPA Project would terminate prematurely and that the vendor would no longer support the implemented solution, both ITD and BPD staff have been continuously monitoring and analyzing the availability of automation technology that might support, supplement, replace, or complete the BPA Project.

virtually non-existent. See Appendix 1 and 2 for the IACA conference agenda and SOS Survey submitted to the IACA membership to conduct market research.

No other state has California's volume or diversity of filings, and no other state has a completely integrated automated system. The automated systems in use in other states involve significant manual processing. A system does not exist that could be modified without significant expenditure of time and resources to handle our business needs, (as was demonstrated by the BPA Project).

Therefore, at this time, no specific technical hardware or software components will be identified in this FSR. Instead, an RFP will be released requesting a solutions-based procurement using a customized application development solution but leveraging hardware and software solutions proven to support the approximately 250 filing documents serving more than 2 million customers each year. The hardware, software and backup systems estimated to support the anticipated scope of work are listed in the Economic Analysis Worksheets (EAW) in Section 8. The costs for the application developer to write the required code are unknown. As such, the costs here are estimated and will be updated by submitting an SPR to the California Technology Agency (CTA), the Department of Finance (DOF), and the Legislature for review and approval prior to contract award. A detailed list of cost and timeline assumptions is included in Section 8. SOS will select a solution based on the best value and not necessarily the lowest cost.

The selected solution will meet the needs of the diverse SOS customer base, improve statutory compliance and automate the way the state does business. SOS believes the automation proposed here will stimulate the economy by getting business filings processed and approved faster and making the information about the businesses available to the business community and other government agencies. Workflow technology is not new and already is proven in state service. However, the volume, diversity of filings, and other business needs of SOS require an application development effort in order to have an integrated system and avoid another piecemeal set of systems that lack integration and necessary interfaces. Notably, the funds needed to pay for the solution are available through existing sources (Business Fees Fund and SOS Reimbursements). SOS needs only the spending authority to use these existing sources as described in Section 8.

Specifically, the selected solution will:

- Ensure statutory and regulatory compliance by allowing web availability of complete Statement of Information data, providing responses to customer requests for information within 10 days, permitting revenue transactions to be processed within one business day, and permitting adequate review of trademark registrations;

- Ensure SOS stewardship of records by establishing standards for electronic transactions and electronic records storage,<sup>7</sup> eliminating the risk of loss to vital state records, establishing uniformity in data entry and data capture, allowing readily available access to SOS records for our staff as well as other government agencies such as the Internal Revenue Service (IRS), Board of Equalization (BOE), Franchise Tax Board (FTB), Employment Development Department (EDD), Attorney General (AG), Department of Corporations (DOC), and Department of Real Estate (DRE) to perform their functions in a more efficient manner, and by eliminating paper-based manual transactions as the standard for doing business in the state;
- Eliminate the adverse economic impacts to the state caused by processing delays for paper-based transactions and records by allowing for records to be submitted and retrieved through a trusted system as defined by the ANSI and AIIM; and
- Establish a Center of Excellence for electronic records processing, storage and retrieval, with the added benefits of establishing state-wide procedures and approval methodology for these processes, while, at the same time, improving SOS customer service for the diverse customer base by eliminating lengthy turnaround times and by having records continuously available online.

SOS has legacy automated systems for BPD as detailed in Sections 3 and 4 of this FSR and recently has implemented various automated workflow systems in the agency resulting in SOS staff being highly trained and experienced, lowering some risks to the proposed solution.

Some examples of recent automated systems include the BPA Project, Automated Request Tracking System (ARTS), and Acquisitions & Service Tracking Reporting Online System (ASTROS). The automated workflow systems in place such as ARTS and ASTROS have been so successful that SOS has conducted tours and provided Feasibility Study Reports, Training Materials, PIERS and other tools to more than a half dozen government agencies by request.

Despite some problems, the BPA Project for UCC has been so well received by customers that customers are asking when automation will be introduced for other business filings. Section 4 contains additional baseline information.

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<sup>7</sup> AIIM and ANSI advocate PDF/A as the standard for images anticipated to be part of a vendor solution. (See ANSI/AIIM/CGAT/ISO 19005-1:2005, Document Management – Electronic Document File Format for Long-Term Preservation – Part 1: Use of PDF 1.4 (PDF/A-1).)

SOS highly trained and experienced staff to run the project includes:

#### ITD

- The Data Processing Manager (DPM) III is Project Management Profession (PMP) certified by the Project Management Institute (PMI.)
- ITD staff is experienced with workflow automation as a result of the BPA Project and has institutional and working knowledge of SOS business needs.

#### Project Management Office

- A PMI-certified PMP is on staff to assist with support for BPD's automation efforts.

#### BPD

- More than 75% of BPD staff to be redirected to work on the California Business Connect Project is experienced with workflow automation efforts, including those with experience from the BPA Project.

More than 20 staff within SOS recently attended 3-day training courses in Project Management and another 3-day training course in Requirements Gathering.

Although the solution will not be known until the RFP vendor responses are received, past experience has shown that staged implementation end-to-end may be a better methodology than trying to implement all business requirements before going live. As a result, SOS will suggest the vendor implement the project solution in phases, most likely in five phases, tied to business processes for each of the various types of filings. Section 8 contains more details.

### **5.1 Solution Description**

SOS will hire a consultant to write an RFP to solicit a proposed solution that meets our business case and functional specifications. As such, the solution described here is very high level and will be revised in an SPR once the solution is known. Although the vendor contract will not be awarded until the SPR is approved, a commitment by the state to spending authority is needed to ensure vendor participation.

Since SOS does not know the solution, SOS could not obtain costs from the data center. Therefore, we projected costs as if the new system were housed at SOS. All estimates in Section 8 are based on the new project being housed at SOS. The RFP will require the vendors to provide cost estimates for housing the new application at OTech.

SOS anticipates the proposed solution will necessitate promulgating or modifying regulations as needed to accommodate the selected solution, if permitted by current statutes, or will require legislative changes to enable implementation. As described in Section 3, SOS is fully aware that a change from current paper-based processing is necessary and that it cannot continue to do business as in the past.

It is anticipated that the following functionality will be needed for the selected solution; however, the official source for the vendors to follow will be what is listed in the RFP.

- An integrated system to track imaged and online filings in one electronic content management system;
- A system that allows staff from either SOS office to access the data and document images regardless if they are at headquarters or in the Los Angeles office;
- Development of input screens that contain the SOS California Business Connect logo and allow for auto fill from common tables, for form name, existing SOS identification number, etc. for those forms that are not filed online, but need to be imaged and indexed for workflow processing;
- Drop down lists for consistent input and data integrity;
- Data fields that allow SOS staff and management to easily collect the required information for year-end reporting, such as the number of documents reviewed and/or filed, amount of fees collected, etc.;
- Data validation and implementation of business rules on input;
- Electronic mail notifications (e-notifications) to external customers providing status of various levels of processing with their form;
- Workflow throughout SOS organization that properly routes the filings and/or requests for information for electronic approval;
- Separation of workflow approval queue for staff processing and reconciling fees;
- Reports for SOS management that track the aging of filings not yet processed and other information;
- A secure web-based solution that can handle future growth of workflow processes and volumes;
- Printing capabilities from the web browser for the documents in the database, certificates, etc.;
- Auto population of the forms from the database and saving/printing to the file to pdf/a;
- Reporting tools to manipulate and print or save files to Excel, MS Word and/or pdf;
- System Documentation, Information Technology Maintenance Manuals, and Application Recovery Instructions for the SOS Operational Recovery Plan;
- Secure internal and external access to public data and images.
- Automated fee processing, including a web interface, with capability to negotiate check payments immediately upon submission while associating a specific payment, or apportion a particular payment, to a specific filing or request for

information. Fully automated accounting, auditing and reporting with an interface with SOS accounting system and CalSTARS.

Accounting report requirements for an automation system may include the ability to generate ad hoc reports (queries) by accounting requirements for all types of revenue, reimbursements and accounts receivable daily, weekly, monthly, quarterly, yearly, and on an as needed basis to be used for reconciliations and for audit purposes. All reports should be tied to the systems reports that SOS will be generating for internal use.

Specific reports anticipated:

- Accounts Receivable (AR) - setting up of the ARs
- Accounts Receivable Payment – payment of the ARs
- Dishonored Check (DC) Receivable – setting up DC ARs
- Dishonored Check (DC) Payment – payment of DC ARs
- Revenue and Reimbursement Receipt – Daily report that can be matched to the deposits
- Advance Collection Account (GL 3400) – Detail of what is in this General Ledger account by consumer, which must reconcile to the new California Business Connect system
- Refunds – show all refunds, who authorized refund and the reason
- Adjustments to revenue and reimbursement – any adjustments
- ACH and Credit Card (EFT) - payments

To accomplish the project identified above, SOS will need to implement a number of changes, which are listed below.



## **1. Hardware**

For the ideal solution, the vendor will identify specifically the necessary hardware requirements as part of the solution. However, SOS anticipates that the existing legacy mainframe systems will need to be replaced and that multiple servers will be necessary for workflow, database management, and document imaging, which also will require multiple scanners, imaging storage hardware, and Optical Character Recognition (OCR) firmware. Also some enhancements to existing workstations may be needed. Maintenance and cleaning kits for the scanners will be an ongoing necessity. To store and process the workflow application and related documents, as well as to store permanent images, SOS anticipates the solution will include projections for new hardware and related software as existing memory, disk drives, and servers to store and process these records are maximized to capacity. Additional hardware may be necessary to ensure compliance with Payment Card Industry (PCI) Standards for credit card transactions. In addition, a possible solution would have customer access through some type of kiosk or lobby access and would require additional hardware. Section 8 describes anticipated high level funding needs.

In addition, the SOS will request the vendor consider CTA's policy letter issued December 2010 regarding the use of virtualization for all new servers purchased.

## **2. Software**

SOS anticipates the proposed solution at a minimum will require database management software, workflow software, imaging software, scanner software, web-interface software, security software and testing software. Additional software may be necessary for interagency interfaces and internal agency interfaces, and upgrades of existing software for workstations may be required. The vendor hired by SOS will act as the application developer, and BPD and ITD will evaluate the deliverables against stated criteria to ensure compliance with defined goals.

## **3. Technical Platform/Network**

See Section 4 for SOS current baseline. Vendors through the RFP process will be encouraged to propose a solution that will work within the current SOS environment and conform to OTech standards, or that will work within the OTech environment with support from SOS systems. This section will be updated once the vendor solution is known.

## **4. Development Approach**

SOS wants to automate its current processes, provide most, if not all, services online, reduce payments by check by accepting online filings and online requests for information, and if possible, significantly reduce the number of paper filings and requests for information. SOS anticipates using a structured development methodology such as Joint Application Development (JAD) to involve BPD and ITD staff in identifying and refining the operational business rules upon which system requirements will be developed. JAD also will be used to assist with reengineering the business processes,

in designing the new application, along with data and image conversion for the existing mainframe and UCC systems.

## **5. Integration**

The vendor will serve as the system integrator. SOS will supervise the work and ensure the interfaces being built or enhanced meet the defined goals. The proposed solution will have elements of web integration and will need to integrate within SOS, including the regional office, and with other government agencies. A more complete description will be included in an SPR once the vendor solution is known.

## **6. Procurement Approach**

SOS anticipates that the services of an RFP writer, Project Manager (PM), Independent Project Oversight Consultant (IPOC), Independent Validation and Verification (IV&V), and security, and testing consultants will be necessary for this project and will procure these services through a combination of RFPs, and Requests for Offers issued against the California Multiple Award Schedules (CMAS), and Master Services Agreements (MSA). Other project management services that will not be filled by existing SOS staff, or the selected vendor, also will be obtained through the use of a combination of RFPs, CMAS, and MSAs. For other necessary goods or services that are not part of the proposed solution, SOS will coordinate efforts with the Department of General Services (DGS) through the California Strategic Sourcing Initiative (CSSI). Although SOS is a constitutional office and not obligated to use CSSI, it is this Secretary of State's practice to apply CSSI, when possible.

## **7. Technical Interface**

SOS anticipates that the integrated solution will have an internal interface with MSD, a web interface and potential external interfaces with the CalSTARS accounting system, IRS, BOE, FTB, AG, EDD, DOC, DRE, and other government agencies. The proposed solution eventually will need to replace the UCC system. Ideally, the data from the UCC system would be converted to the new system proposed by the vendor toward the end of the project.

SOS customers are demanding to have more choices for access to SOS services, and the proposed solution may have capabilities for other external interfaces.

## **8. Testing**

SOS anticipates using a testing consultant, a security consultant, an IV&V consultant, and SOS ITD and BPD staff to ensure adequate testing. A detailed testing plan will be developed as part of the JAD sessions, and testing will include unit, system/integration, user acceptance, load and performance testing. The testing consultant will develop test scripts, track results, and work with SOS and the vendor to implement error resolution procedures.

Testing will enable SOS to ensure it will achieve the goals of the California Business Connect Project. Specifically, testing will determine whether the customer filings and

requests for information can be processed over a web browser in a workflow system that electronically will create, route, monitor and track over 2 million business and other filings and requests for information per year.

## **9. Resource Requirements**

SOS anticipates redirecting BPD staff and ITD staff to the project. Overtime and students will be used to backfill positions for BPD staff that are redirected to the project. The actual need for additional BPD and ITD staff will not be known until the vendor solution received from the RFP is selected. However, we are assuming 6 new PYs (permanent and limited term) will be needed to support the new application as well as needing additional training to the 4 existing current IT staff who are now providing technical support to BPD. Estimates have been included in Section 8 to provide total project funding at a high level. The EAWs in Section 8.0 contain more details. A more complete description will be included in an SPR once the vendor solution is known.

## **10. Training Plan**

A detailed training plan will be developed once the vendor solution is known. SOS will require training from the vendor to prepare SOS users for the new functions and applications of the system. Advanced training also will be required for specified SOS staff who will be expected in the future to train other SOS staff, and potentially the public, in using the new functions and applications of the system. Redirected SOS technical staff will require training to support the new platform. SOS also will be conducting stakeholder and public education during all phases of the project to enhance participation and ownership in the project. SOS anticipates conducting additional education for customers and stakeholders once the system is implemented and may require the vendor to provide training sessions and detailed user handbooks for the public. A more complete description will be included in an SPR once the vendor solution is known.

## **11. Ongoing Maintenance**

A more complete description will be included in an SPR once the vendor solution is known; however, the proposed solution should have the vendor accepting ongoing maintenance responsibilities with as little risk to SOS as possible.

Traditionally, hardware and commercial off-the-shelf software is maintained using standard service agreements. As a general rule, hardware maintenance contracts average 15% of hardware costs, and commercial software maintenance averages 20% of initial costs. Until the vendor solution is known, it will be unknown if any commercial software will be used.

Nonetheless, using custom applications will require that a responsible group within SOS be assigned the task of tracking the performance of the application, reviewing and commenting on service requests, and initiating changes that become necessary. SOS will assign ITD and BPD staff who will be responsible for managing the maintenance of the application and service requests.

## **12. Information Security**

SOS collects public and confidential data (e.g. social security numbers, street addresses, drivers license numbers, credit card numbers). All electronic communications and data exchanges between the solution system and users, internally and externally or other government agencies must be secure and free from eavesdropping or alteration. The solution database must provide an efficient and flexible way to control and administer multiple levels of user access.

A more complete description will be included in an SPR once the vendor solution is known; however, SOS anticipates hiring a security consultant to assist with development of detailed security requirements for access to system functions, data, and images for internal and external users, including web-based users. SOS currently requires security badge access to areas within SOS facilities, including limited badge access to a secure area that houses technology hardware. Additionally, access to legacy systems includes password protections and regulated access by user types. SOS anticipates that physical and electronic access controls will be continued and enhanced with the new system.

## **13. Confidentiality**

A more complete description will be included in an SPR once the vendor solution is known; however, SOS anticipates hiring a security consultant to assist with development of detailed confidentiality requirements for system functions, data, and images for internal and external users, including web-based users.

Customers also will have choices on how to pay for associated fees, which may include payment by credit card. If credit card payments are accepted, SOS will require in the RFP that the solution meet the least restrictive and least expensive PCI Standards. Preliminary data shows it may be too expensive to purchase and maintain the infrastructure associated with capturing, storing and purging credit card numbers (\$1million for initial infrastructure, \$300,000 per year to maintain) and to meet the stricter PCI Standards.

Additionally, by statute not all filings and records are completely public. In some cases, information must be redacted prior to public disclosure and two versions of a document will be needed to maintain the confidentiality of the redacted information. Also, certain vendors that use their Social Security number instead of a Federal Employer Identification Number (FEIN) as their federal I.D., and other records containing protected personal information will need to have data or images encrypted or redacted. A more complete description will be included in an SPR once the vendor solution is known.

## **14. Impact on End Users**

Changes brought by the proposed automation will dramatically redefine the environment in SOS. Managing the transition to the new environment will be a critical activity in the project. In addition to planning for the involvement of SOS staff throughout the project,

regular communication with SOS staff regarding the project will be conducted via agency and division newsletters and other published materials, as well as staff meetings to share information about the project activities.

Additionally, customers and the public will have the ability to file documents online, conduct research online and get certified copies within days of a filing or request for information being submitted for processing. SOS also will be conducting stakeholder and public education during all phases of the project to lessen the impact on customers, including other government agencies. SOS anticipates conducting additional education for customers and stakeholders once the system is implemented and may require the vendor to provide training sessions and detailed user handbooks for public use. Additional strategies will be identified and developed as the project progresses.

## **15. Impact on Existing Systems**

BE and Special Filings mainframe and manual systems will be completely replaced with the new system. Eventually UCC also will be replaced with the new system proposed by the vendor. Data and image conversion will be necessary for the two legacy mainframe systems, along with the other systems and databases that have been created as identified in Section 4. Additionally, the current web-based systems for filings and data will need to be replaced and have data converted to the new system. SOS anticipates a solution will be implemented in phases, which will require existing systems to be supported until replaced. SOS staff will actively participate in identifying and prioritizing the implementation phases of the new project and to identify the necessary resources needed for continuing support of legacy systems. A more complete description will be included in an SPR once the vendor solution is known.

## **16. Consistency with Overall Strategies**

The proposed solution should be consistent with the objectives stated on pages 2, 22 and 23 of SOS Agency Information Management Strategy (AIMS) 2000, which includes the vision of improved office automation and updating the technology infrastructure.

In addition, per the 2010 IT Strategic Plan released by CTA, “California has long recognized the significant advantages of using information technology to provide needed services to the public. In the past two years, significant progress has been made in addressing the long-standing internal and external issues surrounding the governance and management of information technology within the state. Now, from both a national and state perspective, the perception of California state government has changed from one of being overcome by IT challenges to a state organized to leverage IT to meet its challenges.” (California Information Technology Strategic Plan (2d ed. 2010), Executive Summary, p. 3.)

In the 2010 IT Strategic Plan, CTA supports the effective use of information technology to enhance the quality of government services and improve the productivity of state operations. The Governor and the Legislature established the necessary conditions for effective IT management by establishing CTA.

Of CTA's Six Strategic Concepts, which serve as the framework for the 2010 Strategic Plan, SOS believes this project will fulfill all six as follows:

<b>What:</b>	<b>How:</b>
<p><b>IT AS RELIABLE AS A UTILITY</b> <i>Providing the agile, effective, extensible, reliable and secure IT infrastructure and shared services necessary to meet program needs of state agencies.</i></p>	<p>Establishing expanded automated services and functionality that are readily available, secure and accessible and eliminating the predominantly paper-based transactions impeding program needs. System crosschecks and validations for reliable data entry and records, eliminating current manual processes.</p>
<p><b>FULFILLING TECHNOLOGY'S POTENTIAL TO TRANSFORM LIVES</b> <i>Providing accessible, reliable and secure services that meet the needs of California's residents and businesses.</i></p>	<p>Stimulate the economy by quicker processing of business filings with convenient, continuous, secure online access to expanded automated services, avoiding the 50+ day backlog experienced today.</p>
<p><b>SELF-GOVERNANCE IN THE DIGITAL AGE</b> <i>Enabling greater accountability through enhanced government transparency and accessibility.</i></p>	<p>Enhanced internal and external access to transaction processing information and public records, allowing transparency for the public, government agencies to obtain information and validate public records through quicker access. Secure and faster payment processing with internal accounting controls.</p>
<p><b>INFORMATION AS AN ASSET</b> <i>Leveraging the state's vast information resources to facilitate informed policymaking and enhance the performance and productivity of state programs and services.</i></p>	<p>Establishing state standards for electronic records processing, storage and retrieval and providing 100% of the filings received by SOS for online public access, allowing the public, law enforcement and regulatory agencies to validate public records through quicker access.</p>
<p><b>ECONOMIC AND SUSTAINABLE</b> <i>Ensuring that the state's management and use of technology contributes to efficient government operations and furthers the state's environmental goals through the implementation of green IT best practices and policies.</i></p>	<p>Expanding the availability of automated service and establishing state standards for electronic records processing, storage and retrieval, the project will replace the current predominantly paper-based system. If only 25% of current customers move to online filing, more than 1 million pieces of paper will be saved from our carbon footprint. From past experience, SOS anticipates that a greater percentage of filers will move to electronic transactions once available.</p>
<p><b>FACILITATING COLLABORATION THAT BREEDS BETTER SOLUTIONS</b> <i>Advancing communication and partnerships between stakeholders, external and internal to government, is critical to delivering innovative and effective government policies, programs and services.</i></p>	<p>Establishing state standards for storing records with technology that meets the ANSI and AIIM definition of "trusted system" allows SOS to serve as the Center of Excellence for storage of electronic records, advances communication and partnerships between stakeholders, internal and external to the state, and delivers innovative and effective policies, programs and services.</p>

## **17. Impact on Current Infrastructure**

A more complete description will be included in an SPR once the vendor solution is known. However, factors to be considered in determining the impact include whether the new system is housed at SOS or OTech, whether the new system is fully supported by the vendor or SOS, how much SOS staff will be needed for data and image conversion projects and for how long, and how long the legacy systems must be supported.

## **18. Impact on Data Center**

A more complete description will be included in an SPR once the vendor solution is known. Since SOS does not know the solution, SOS could not obtain costs from the data center. Therefore, we projected costs as if the new system were housed at SOS. The RFP will require the solution vendor to provide cost estimates for housing the new application at Otech. All estimates in Section 8 are based on the new project being housed at SOS.

## **19. Data Center Consolidation**

A more complete description will be included in an SPR once the vendor solution is known; however, SOS anticipates that the proposed solution will be a server-based system. Absent a solution we could not request estimates from the data center so, for purposes of the EAWs, we have assumed that the new system will be housed at SOS. All estimates in Section 8 are based on the new project being housed at SOS. The RFP will require the solution vendor to provide cost estimates for housing the new application at OTech.

## **20. Backup and Operational Recovery**

The only immediate concern, should a disaster occur and the SOS system is down, is that the data from the Advance Health Care Directives system that is relied on by emergency and hospital personnel may not be available. This file is small compared to the millions of records that will be stored in the new system. There is no legal requirement for immediate retrieval of the business records. Once the new system is implemented, our customers will expect to receive services within 10 days, therefore our operational recovery would be within 10 days.

SOS current disaster recovery plans will need to be revised to include the proposed solution once implemented. Additionally, with the proposed solution, another disaster recovery methodology may be possible, using ideas such as cloud computing to provide quicker operational recovery. Also, storing electronic records with technology that meets the ANSI and AIIM definition of “trusted system” allows SOS more effective disaster recovery consistent with DGS guidelines set forth in the Vital Records Protection and Disaster Recovery Handbook (2003) and State Records Act to protect vital records. SOS will work with the vendor awarded the contract to accomplish this task and will work with DGS to pass regulations to establish the state standards for processing and storage of electronic records.



## **21. Public Access**

The public and customers will be provided with the ability to file documents and request information online and to conduct more research online than is currently possible. Additionally, as noted above, not all filings and records are completely public. In some cases, information must be redacted prior to public disclosure, and two versions of a document will be needed to maintain the confidentiality of the redacted information. Also, certain vendors that use a Social Security number instead of a FEIN as their federal I.D., and other records that contain protected personal information will need to have data or images redacted or encrypted. Interfaces with government agencies may require some data encryption and may require specific security measures. SOS will work with those agencies and the security consultant through its outreach efforts early in the project to identify specific requirements. A more complete description will be included in an SPR once the vendor solution is known.

## **22. Costs and Benefits**

The one-time development and acquisition costs, as well as ongoing maintenance and operation costs, are estimated to be in the range of \$24 million and will be updated in an SPR once the RFP process is complete. Primary development cost factors include the accelerated delivery schedule without compromising the scope of the system while maintenance and operations costs will be driven by the decision of whether or not the system is housed at OTech or at SOS. Significant cost avoidance is anticipated by eliminating or phasing out additional temporary staffing needs that will be required to manage and reduce existing backlogs absent automation. Faster processing times and electronic transactions have the added benefit of having payments processed faster for deposit to state accounts.

## **23. Sources of Funding**

The project will be funded with SOS resources, including redirected staff. In addition, SOS will be requesting additional spending authority financed from excess Business Fees Fund Revenue and/or SOS Reimbursements. A portion of the SOS Reimbursements will be one-half of the \$5.00 disclosure fee (established in accordance with AB 55 (Statutes of 2002, chapter 1015)) collected at the time domestic stock and foreign corporations file their annual Statements of Information. In accordance with California Corporations Code sections 1502 and 2117, one-half of the disclosure fee must be utilized to further the provisions of the respective sections, including the development and maintenance of the required online database to provide public access to all information contained in the Statement of Information.

For the past three years, the Business Fees Fund collected an excess of \$37.8 million in revenue. For that same period, the excess collected in SOS Reimbursement authority was \$15.8 million, which includes the one-half of the disclosure fee designated for the online database for Statements of Information. A breakdown of anticipated project costs has been provided in Section 8.

## 5.2 Rationale for Selection

A more complete description will be included in an SPR once the vendor solution is known; however, as stated in Section 3, continued manual processing of paper-based filings cannot be sustained. Vital records are at risk. The manual processing of these filings and requests for information does not provide the level of control and security envisioned by SOS, whose vision includes an integrated shared database for tracking filings, information requests and associated fees and permanent record processing and storage in the same system. In addition, turnaround times to process the filings and requests for information will continue to grow. Without automation, SOS will be requesting an increase in expenditure authority of \$1.4 million annually to increase staff resources necessary to reduce the tremendous backlog and handle current workload with the existing systems and manual processes.

SOS has been unable to locate an existing integrated single system that meets the business needs of SOS. Most states using automated technologies for similar processes have piecemeal systems with considerable custom development in order to integrate portions of their systems. Also, states using similar types of automation have transaction volumes that are so small that the systems used would not be able to handle California's business rules, variety and volume of filings. The BPA Project identified a COTS system as the best alternative; however, that system had to be customized and modified so significantly to handle the business needs of SOS that significant additional time and resources had to be expended in order to implement the solution. The project was terminated after the completion of the UCC Phase. The UCC system no longer is supported and needs to be replaced.

The proposed solution would replace existing automated and manual BPD systems with contemporary technology that allows SOS to:

- Comply with statutory obligations;
- Ensure SOS reliability in its stewardship of records;
- Improve SOS customer service for a diverse customer base; and
- Use technology to make doing business and commerce in California easier and more flexible
- Serve as the Center of Excellence for storage of electronic records, advance communication and partnerships between stakeholders, internal and external to the state, and delivers innovative and effective policies, programs and services.

### Develop a New System

A more complete description will be included in an SPR once the vendor solution is known. However, SOS believes that seeking a solutions-based procurement solution, which through the RFP process gives vendors the business case and functional requirements and requests proposed solutions that meet SOS needs, is the best and most cost-effective means to identify the solution.

Nonetheless, certain advantages can be identified with developing a new system:

- Similar business problems throughout BPD can be addressed at the same time with one project;
- This approach would facilitate the integration and consolidation of BPD operations by providing one system with similar applications and would provide necessary interfaces within SOS and with customers, including other government agencies;
- ITD and BPD staff would have a better understanding of the system as necessary parts of the application development;
- Project objectives could be met faster than replacing systems in a piecemeal fashion;
- Net cost savings (\$931,496 annually) can be realized by replacing old IT infrastructure; and
- Cost avoidance (\$1.4 million annually) can be achieved through eliminating dollars that otherwise would have to be requested for overtime and students to reduce backlogs and manage workflows.

Additionally, certain disadvantages can be identified with this approach:

- Custom development projects can be time and resource intensive;
- There are no examples of a similar custom application of comparable size and use, increasing project risks;
- The project would incur large costs up-front for hardware; and
- Staff resource requirements may place a strain on ITD and BPD operations during the application design, testing and implementation phases.

### **5.3 Other Alternatives Considered**

#### **Modify Off-The-Shelf Systems and Software (MOTS)**

A more complete description will be included in an SPR once the vendor solution is known. However, SOS believes that seeking a solutions-based procurement solution, which through the RFP process gives vendors the business case and functional requirements and requests proposed solutions that meet SOS needs, is the best and most cost effective means of identifying the solution. To address BPD system replacements as separate ITD projects with replacement of both automated and manual BPD systems on a priority basis as separate (non-integrated) ITD projects, or attempting to integrate piecemeal systems through custom software modifications poses significant problems. Modifying automated workflow, accounting and fee processing, document imaging, document archiving, and database management applications existing in the market today for SOS business needs requires a significant amount of time and resources. By the time the integrated system can be implemented, the system may be obsolete or might no longer be supported by hardware and software vendors.

Nonetheless, there would be certain advantages to such an approach:

- Resource requirements can be spread over several projects, reducing the strain on BPD and ITD operations; and
- Disruption to BPD operations may be minimized by isolating activities to a specific area by project.

However, the disadvantages would outweigh the advantages:

- Similar business problems may not be addressed with a common solution;
- This approach does not facilitate integration and consolidation of BPD processes and operations and perpetuates the need to supplement systems and processes with network tools or manual processes;
- Costs may be higher in the long term as similar tasks are performed for each separate project;
- Several projects conducted over the years required for application development, testing, and implementation would result in continuous disruption of SOS operations for a significant amount of time, possibly decades;
- Each project would require a separate FSR and BCP for approval and funding, adding additional delays to implementation;
- Customer needs would not be met and inefficient processes would remain for longer periods of time; and
- Additional staff will be needed to address growing backlogs and to manage the current workloads.

### **Purchase Commercial-Off-The-Shelf (COTS) Software**

A more complete description will be included in an SPR once the vendor solution is known; however, SOS believes that seeking a solutions-based procurement solution, which through the RFP process gives vendors the business case and functional requirements and requests proposed solutions that meet SOS needs, is the best and most cost effective means to identify the solution.

Nonetheless, this alternative approach would replace all BPD systems (except Notary) with an off-the-shelf software package that is web-enabled, and includes an imaging and workflow component, a financial module, which would interface with the existing SOS system for payment processing, and is customizable for the business rules necessary for the approximately 250 different document filings and more than 2 million filings and requests for information received annually.

Certain advantages can be identified with this approach:

- COTS software would facilitate the integration and consolidation of BPD operations by providing one system with similar applications for BPD filings and requests for information that would provide user and customer friendly interfaces;
- COTS software has been used in other SOS divisions and in BPD successfully, lowering the risks to SOS;

- This approach would follow a modular system of development, making future enhancements as well as maintenance easier and less costly;
- Project objectives would be met faster and will be less costly than either undertaking a custom development project or replacing BPD legacy systems one by one;
- BPD would realize a cost avoidance of positions needed to reduce backlogs and manage the existing workloads.

Also, certain disadvantages can be identified with this approach:

- The project would incur large costs up-front for hardware;
- Staff resource requirements may place a strain on ITD and BPD operations during application development, testing and implementation;
- Customization of the software to meet BPD business rules may take an extraordinary amount of time and resources and may significantly delay application development, testing, implementation and other project timelines; and
- Customization of the software may prevent integration of certain functionalities and may prevent interfaces within SOS and/or with other government agencies.

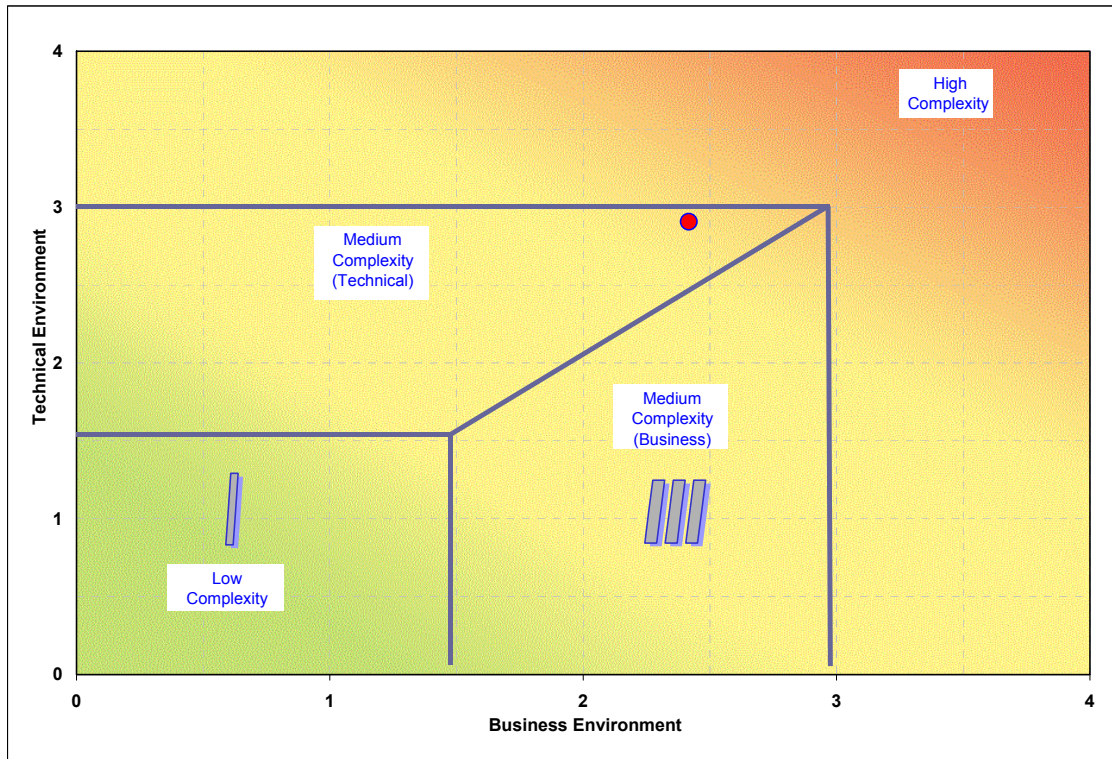
## 6.0 Project Management Plan

SOS recognizes that a structured approach to project management is required to ensure the successful implementation of any project. Following California Business Connect Project approval and contract award, SOS will work with the identified Project Management Team to develop a Project Management Plan based upon the California Technology Agency (CTA) California Project Management Methodology (CA-PMM) that addresses the project schedule, change management, quality management, human resources management, risk and issue management and communications management. To supplement the CA-PMM, SOS will employ the Project Management Body of Knowledge (PMBOK®) methodology. This section identifies the project management approach SOS will use to successfully manage this California Business Connect Project.

Project complexity is a determining factor for the robustness of the methodology that will be implemented as well as the experience the Project Manager (PM) must have.

Having performed the complexity analysis, SOS has concluded that this project is rated as 2.4 or medium for business complexity and 2.9 or medium for technical complexity as per the CA-PMM Project Complexity Matrix. The rating for this project is illustrated in the Figure 6-1:

Figure 6-1 – CA-PMM Project Complexity Matrix



Another determining factor that drives decisions around the rigor of implementing project management practices and the experience of the PM is the size of the project.

This project is rated as large based on the following rating system as defined by the CA-PMM. Project size is determined by identifying the project’s complexity rating, total cost and duration. The following table illustrates the CA-PMM definitions for the categorization of project size:

Table 6-1: CA-PMM Project Size Determination Table

Size	Complexity Rating	Total Cost	Duration
MINOR	Less than 1.5	Under \$500,000	Under 6 months
SMALL	1.5 to less than 2.0	Over \$500,000, under \$1 million	Over 6 months, under 1 year
MEDIUM	2.0 to less than 3.0	Over \$1 million, under \$5 million	Over 1 year, under 3 years
<b>LARGE</b>	<b>3.0 – 3.5</b>	<b>Over \$5 million, under \$100 million</b>	<b>Over 3 years, under 10 years</b>
MEGA	Over 3.5	Over \$100 million	Over 10 years

## 6.1 Project Manager Qualifications

SOS understands how critical an experienced PM is to the success of this project. The PM will be responsible for all aspects of the California Business Connect Project including the schedule, identifying and tracking issues and risks, ensuring appropriate communications are occurring, overseeing quality including subject matter experts, and managing to the budget. Due to the size of the project, we will issue a Request for Offer (RFO) that solicits for bids with multiple project management resources to ensure sufficient coverage for the project.

A successful PM will have experience on a project of commensurate size as this project, so that the PM has exposure to the types of issues that occur and the activities that must be managed. Based on the results of the complexity assessment, the PM should have three to five years as a PM on medium or large Information Technology (IT) projects. The PM's technical experience should be commensurate with the proposed technology.

The PM should have strong working knowledge of the CA-PMM and the Software Development Life Cycle. California requires a structured approach to managing projects, and requires periodic reporting to various control agencies. The PM needs to understand the amount of time and effort required to manage a project with a rigorous methodology that requires periodic reporting on project status to control agencies. Otherwise, the PM will see the work involved in undertaking these activities as getting in the way of implementing the project. Having experience using CA-PMM and reporting to CTA would be beneficial experience for the PM to have. Having said that, the CA-PMM has not been in existence for the 3-5 year period of experience SOS is requiring, thus the successful PM may not have the CA-PMM experience if they have been managing a project that was initiated before the CA-PMM was instituted. At the least, the PM should have a Project Manager Professional (PMP) certificate.

A preference but not a requirement is that the PM should have familiarity with the state's budgeting, contracting, and procurement policies and procedures. By having this experience, the PM will know when specific activities need to be undertaken. Experience managing a California state department IT project would be helpful because of the many departments with whom we must interact. Working with state employees requires knowledge of state personnel guidelines established by the Department of Personnel Administration (DPA). Policies and procedures to acquire goods and services is established and controlled by the Department of General Services (DGS). Securing approval from control agencies and the Legislature is a necessity at each major phase of the project. It would be beneficial, but not a requirement, if the PM had experience interacting with state departments that establish and enforce policies and procedures related to the needs of IT projects. SOS, however, has sufficient staff with this experience who can provide this service for the project should the PM not have the exposure or experience.



The California Business Connect Project will require coordination of state employees and contractor personnel. The successful PM will have knowledge and experience with team leadership principles to affect the desired outcome.

SOS anticipates deploying an application development project. Although SOS will have an IV&V vendor serving the California Business Connect Project, it would be helpful if the PM has knowledge and experience with International Organization for Standardization (ISO) 9000, Capability Maturity Model Integration (CMMI), and Institute of Electrical and Electronics Engineers (IEEE) standards. Additionally, SOS would prefer that the PM have experience on at least one integration project.

Since SOS does not have a staff member that can be devoted to the California Business Connect Project who has this experience, SOS intends to contract for a PM to lead the project management office services noted above.

## **6.2 Project Management Methodology**

The PM will subscribe to the CA-PMM (as defined in the State Information Management Manual [SIMM] 17) as the primary methodology for managing the California Business Connect Project supplemented by the Project Management Institute's (PMI) methodology as defined in the Project Management Body of Knowledge (PMBOK®) in the event that the CA-PMM proves to be insufficient.

SOS will also state expectations in the Request for Proposal (RFP) for the systems vendor that the vendor conform to the state's project management methodologies.

## **6.3 Project Organization**

The daily work on the California Business Connect Project will include eight BPD subject matter experts (SMEs) (see Section 8), in areas as follows: three for Business Entities (BE) Filings, and one for each of the following: BE Records, Statements of Information, Trademarks, Special Filings, and Uniform Commercial Code (UCC).

In addition to BPD staff, two staff from ITD will be members of the California Business Connect Project team. One of these ITD staff members will have infrastructure knowledge and experience while the other will be an enterprise architect. This IT staffing provides representation of the most significantly impacted functions of ITD. Staff from Management Services Division (MSD) will be consulted on an as-needed basis. The California Business Connect Project will also require the work of various vendors including the systems integration vendor, independent project oversight consultant (IPOC), quality assurance vendor, and an independent verification and validation (IV&V) vendor.

BPD will be impacted most by this project and will provide the most resources to assist in deploying the California Business Connect Project. In addition to eight staff who will work on the project daily, the BPD Chief anticipates needing additional SMEs on a periodic basis.

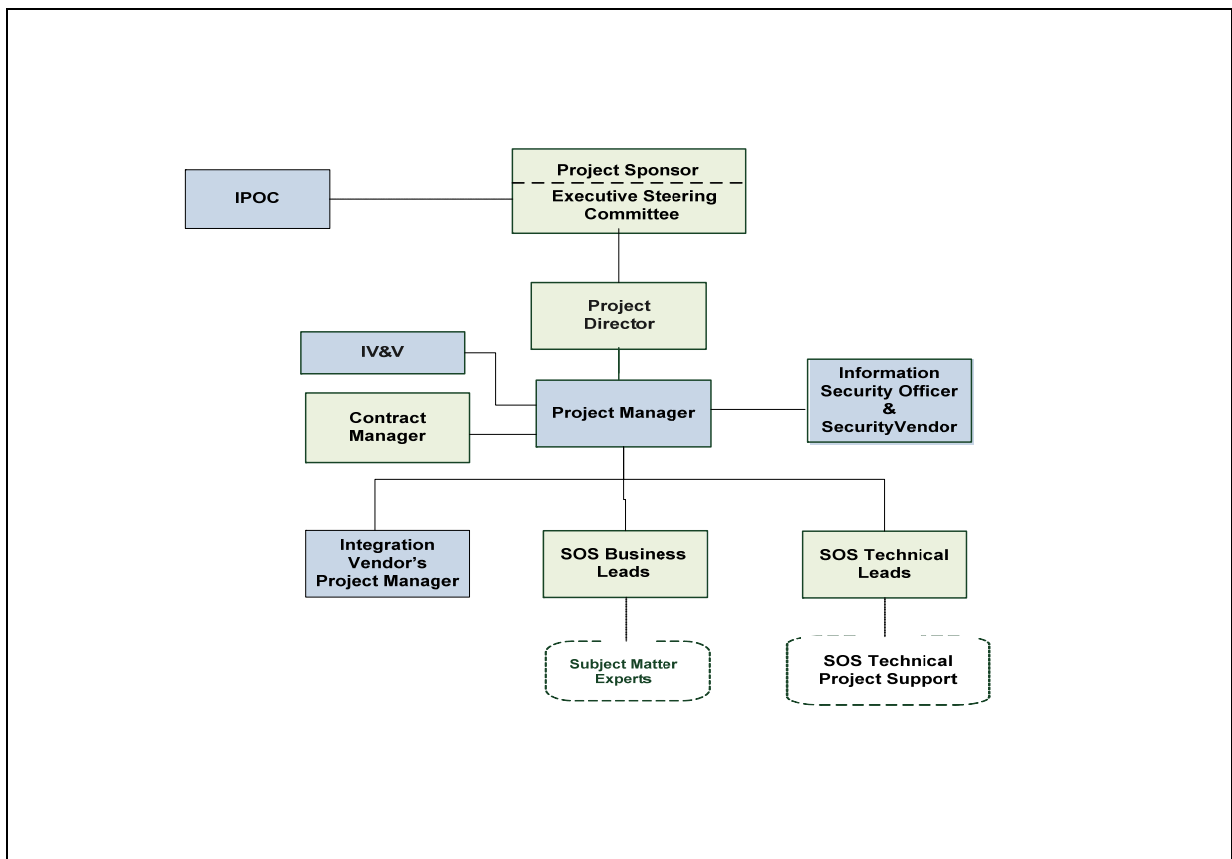
In addition to these SMEs who will spend the majority of their time on the California Business Connect Project, the PM will need assistance from the Information Security Officer (ISO) and a security vendor as well as a testing vendor.

The PM works under the supervision of the Project Director. Project leads from BPD and ITD will provide interface between the SMEs in their areas and the PM. A description of each participant's responsibilities is included in Section 6.8 Roles and Responsibilities.

In addition to the California Business Connect Project team, the roles and responsibilities section will explain the remainder of the project organization structure including the Executive Steering Committee and the reporting of additional vendors.

Figure 6-2 provides a pictorial representation of the California Business Connect Project organization.

**Figure 6-2: Project Organization**



Organization chart for BPD can be found in Appendix 6.

## 6.4 Project Priorities

Successfully managing the California Business Connect Project requires prioritization of schedule, scope, and resources. These factors interrelate throughout the project; a change in one priority area will result in a corresponding change to another. CTA requires that the project stakeholders agree on the importance of each of these priority areas by assigning one of the following values:

- **Constrained** – priority cannot be changed.
- **Accepted** - priority is somewhat flexible to the project circumstances.
- **Improved** - priority can be adjusted.

The following is the prioritization matrix for the California Business Connect Project's scope, schedule, and budget:

**TABLE 6-2: California Business Connect Project priorities matrix**

Scope	Schedule	Budget
Constrained	Accepted	Improved

- “Scope being constrained” means that the functionality defined in the RFP has little flexibility. Other than adding functionality as a result of new federal or state legislative mandates, the functionality should experience minimal, if any, change.
- “Schedule being accepted” means that although it is imperative that the BPD program receive the tool quickly to affect a positive change in production, the schedule has some flexibility, since there is currently no state or federal mandates on deployment.
- “Budget being improved” means that SOS wants to be frugal with the resources. Of any of the three factors SOS has a little more flexibility in the budget, since statute provides funding for this project, provided however, that SOS is given authority to spend the money businesses already are paying for SOS services.

## 6.5 Project Plan

Project planning defines the project activities to be performed, products to be delivered, and how the activities will be accomplished. Project planning helps define each major task, estimate the time and resources required, and provide a framework for management review and control. The Project Plan will be developed using guidelines established by CTA CA-PMM as the California Business Connect Project is initiated. The project planning activities and goals, which are described in more detail below, include defining:

- Scope of the effort
- Project assumptions
- Project phasing

- Roles and responsibilities
- Project schedule

## 6.6 Project Assumptions

The assumptions under which this project will be executed include:

- Current state budget limitations do not limit the funding and/or allocation of state resources to the California Business Connect Project and ongoing maintenance since there is a dedicated funding source for this project established in statute.
- Any scope changes may necessitate changes to schedule or budget.
- SOS, CTA, Department of Finance (DOF), and DGS approval processes will be concluded in a timely manner so as to not delay project approval, vendor procurements, and contract awards.
- DGS procurement process will take no longer than nine months from submission of ITPP to contract signing.
- There are no new deadlines imposed by statute for SOS to provide this functionality electronically.
- There will be timely review and feedback on all project deliverables by reviewers.
- The efforts to coalesce a team will be lengthy and must be included in the deployment schedule.
- Subject matter expertise is essential to this effort and will be available for the entire project.
- The PM services will be acquired as soon as the FSR is approved to begin to manage the RFP development.
- SOS may cancel the procurement if vendors with sufficient experience in both project management and technical solutions are not identified.
- Sufficient resources do not exist within SOS; therefore, additional resources are required for one-time and ongoing activities.
- Twelve months of maintenance and operations begins when system is fully functional and fully implemented.
- Should SOS need to cancel its contract with the implementation vendor, the SOS, control agencies, and Legislature will work expeditiously to procure the services of another implementation vendor.

Changes to these assumptions may require changes to the proposed solution, schedule, and cost estimates.

## 6.7 Project Phasing

The California Business Connect Project is a multiple phase application development project. The proposed project is to be delivered incrementally in phases as discussed in Section 8.

## 6.8 Roles and Responsibilities

The following identifies the roles and responsibilities within the California Business Connect Project. Note that one person may have multiple responsibilities or several people may share one role.

### Executive Steering Committee

- Role:
  - Acts as the decision-making authority on strategic issues as the primary stakeholders of the California Business Connect Project.
- Responsibilities:
  - Provides oversight of the project;
  - Ensures functionality is achieved according to the approved plans;
  - Resolves issues not resolved at lower level;
  - Makes decisions regarding the project's direction;
  - Ensures that business and technical resources are made available;
  - Removes obstacles to project success;
  - Makes decisions affecting project scope, schedule, or budget over 10%;
  - Ensures inter-division coordination and prioritization of the project;
  - Evaluates project's progress against established metrics to make go/no-go decisions.

### Sponsor

- Role:
  - Acts as the champion and advocate for the California Business Connect Project within SOS and with external agencies.
- Responsibilities:
  - Advocates the project within SOS;
  - Provides policy leadership;
  - Provides project oversight and manages IPOC as its primary internal customer;
  - Commits time and political capital to the project;
  - Ensures sustained buy-in at all levels of SOS management;
  - Ensures timely availability of needed resources including administrative support;
  - Keeps informed about project status;
  - Provides direction and guidance for key strategies;
  - Resolves strategic and politically sensitive issues;
  - Owns responsibility for project success;
  - Removes obstacles to project success;

- Resolves project issues not resolved at lower levels;
- Make decisions that affect project scope, schedule, or budget by 5-10%;
- Chairs the Executive Steering Committee, and as Chair, decides what is presented.

### **SOS Project Director**

- Role:
  - Acts as the project oversight authority for the California Business Connect Project.
- Responsibilities:
  - Is responsible for overall project success and is accountable to the Project Sponsor and Executive Steering Committee;
  - Establishes the governance structure for the team;
  - Provides overall oversight of the project;
  - Ensures project management practices are being successfully employed;
  - Ensures deliverables and functionality are achieved as defined in the Project Charter and subsequent project plans;
  - Decides changes to scope, schedule, and budget up to 5% variance;
  - Ensures effective management of all resources assigned to the project;
  - Serves as the primary liaison between the project and the Sponsor and the Executive Steering Committee;
  - Facilitates resolution of all issues;
  - Escalates decisions and issues as needed to the Sponsor, who may then choose to escalate to the Executive Steering Committee;
  - Reviews and resolves project issues not resolved at lower levels;
  - Ensures effective project management remains in place for the duration of the project;
  - Resolves all contractual issues;
  - Acts as the principal interface to the project's contractors when escalation is needed;
  - Principal spokesperson for the project.

### **Project Manager**

- Role:
  - Acts as the day-to-day overall manager of the California Business Connect Project and oversees the responsibilities of the state team and all contractors.
- Responsibilities:
  - Plans the project;
  - Ensures deliverables and functionality are achieved as defined in the project plans;
  - Provides accountability to the Project Director and/or Project Sponsor for all the project management-related activities;
  - Plans, guides, and oversees the day-to-day internal activities that support the project;

- Oversees all contractors to ensure all deliverables meet contractual obligations;
- Develops or assists in the development of the master project schedule and all other project work plans;
- Coordinates and manages the project schedule;
- Tracks actual progress against the project schedule and reports it weekly to the Project Director;
- Tracks progress on prime contractor's and other participants' schedules;
- Ensures the accountability for the development, maintenance, and adherence to the CA-PMM methodology (e.g. processes, procedures, standards, and templates);
- Ensures IPOC and IV&V recommendations are implemented or provides an analysis to the Project Director as to why the recommendations should not be implemented;
- Provides implementation management leadership through planning, organizing, coordinating, and monitoring implementation activities.

### **SOS Technical Leads**

- Role:
  - Acts as the primary resource and subject matter expert for addressing IT issues on the California Business Connect Project. May assist in managing IT resources.
- Responsibilities:
  - Partners with IT managers to acquire appropriate technical assistance in areas such as enterprise architecture, database, software development, security, testing, configuration management, change management, release management, and other technical areas of the new system;
  - Provides leadership and support to technical staff that are assigned to the project;
  - Provides technical support to the Project Director and PM when evaluation of any aspect of the solution is needed;
  - Makes information available to the integration vendor;
  - Assigns SOS staff to extract data from legacy systems for data conversion;
  - Assigns SOS staff to automate data cleanup of legacy data where feasible.

### **SOS Business Leads**

- Role:
  - Acts as the primary resource for business issues related to the California Business Connect Project. May assist in managing program staff on the project.
- Responsibilities:
  - Ensures the business requirements and design specifications are correct and complete;

- Coordinates and ensures that business organizational, policy, and procedure changes are developed and implemented according to the project schedule;
- Coordinates and ensures that subject matter experts are engaged appropriately and timely;
- Ensures that appropriate resources are engaged to support testing activities;
- Assigns owners to clean data from legacy system in preparation for data conversion;
  - Note: this effort is already underway, but may not be complete when the project starts; may need assistance from the vendor
- Assigns owners for key data entry of index information where legacy index data is only in hard copy format (for example, GP and LLP index data exists only on 3-inch by 5-inch index cards).
  - Note: may need assistance from the vendor on this task.

### **Integration Vendor's Project Manager**

- Role:
  - Acts as the day-to-day overall manager of the integration vendor and oversees the responsibilities of the integration vendor.
- Responsibilities:
  - Detailed responsibilities will be listed in the RFP and the contract.

### **Procurement Manager**

- Role:
  - Acts as the primary resource for the procurement of goods and services for the California Business Connect Project.
- Responsibilities:
  - Oversees and manages the generation of the procurement documents;
  - Ensures conformity to SOS and DGS procurement standards, rules, and regulations;
  - Prepares and maintains the procurement schedule;
  - Manages evaluation of proposals or offers and the selection of vendors;
  - Coordinates contract negotiations;
  - Works with Contract Manager to develop contracts.

### **Contract Manager**

- Role:
  - Acts as SOS primary resource for contract management for the California Business Connect Project.
- Responsibilities:
  - Develops contracts;
  - Develops performance metrics for managing contractual obligations;
  - Manages contracts to ensure vendors submit quality deliverables per the schedule and contractual obligations;
  - Develops amendments as needed;



- Reviews work authorizations and invoices to make recommendation to Project Director for approval;
- Ensures the vendor secures performance bond, if one is required;
- Reports periodically to PM on vendors' ability to meet contractual obligations;
- Ensures that all contractual terms and deliverables are met.

### **Project Administrator and Librarian**

- Role:
  - Acts as the primary resource to support the California Business Connect Project and to develop and maintain the project library;
- Responsibilities:
  - Manages project documentation to ensure all project documentation is stored on the shared drive and easily retrievable by SOS staff;
  - Establishes SharePoint site for project document and information management;
  - Edits documents in Word, Visio, and Excel;
  - Prepares presentations in PowerPoint.

### **Quality Manager**

- Role:
  - Acts as the architect for the quality processes that will be employed by the California Business Connect Project.
- Responsibilities:
  - Develops, implements, and ensures processes for quality assurance are present and executed for the duration of the project;
  - Develops and updates as needed Quality Management Plan.

### **Information Security Specialist (Vendor)**

- Role
  - Technical expert for information security.
- Responsibilities
  - Reviews and makes recommendations as applicable for the system design for each phase from an information security perspective;
  - Reviews implementation from an information security perspective during the test phase of each phase.

### **Test Manager**

- Role:
  - Acts as the primary resource for the testing of the application software and overall system.
- Responsibilities:
  - Develops test scripts and leads tests of application;
  - Evaluates vendor's test plan to ensure completeness and appropriateness;

- Develops test issue reporting with vendor;
- Ensures remediation of application is undertaken to address identified issues.

### **Independent Project Oversight Consultant**

- Role:
  - Reviews project management approach to identify variances from project management standards;
  - Makes recommendations on ways in which both SOS and integration vendor can improve management of the project.
- Responsibilities:
  - Reviews all project management processes and activities to identify ways in which they can be improved;
  - Identifies project risks;
  - Offers suggestions for problem and issue resolution;
  - Reports periodically to the Project Sponsor and CTA.

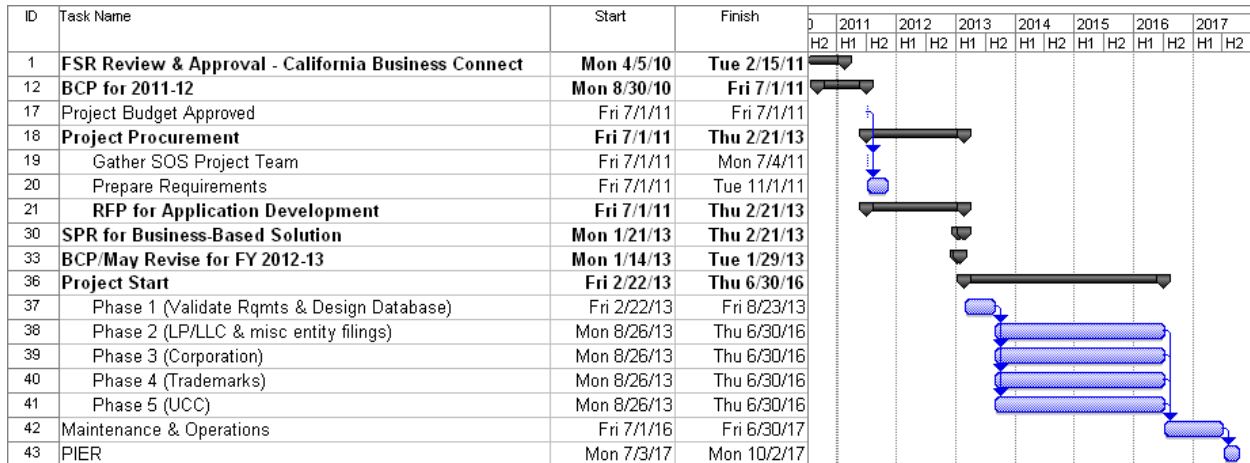
### **Independent Verification and Validation vendor**

- Role:
  - Provides technical evaluation of the California Business Connect Project deliverables.
- Responsibilities:
  - Reviews project deliverables for adherence to project plan, project objectives, and industry standards;
  - Provides independent testing and review of technical specifications and functionality;
  - Offers suggestions for problem and issue resolution;
  - Reports periodically to PM and Project Director.

## **6.9 Project schedule**

Figure 6.3 presents the high level schedule for the California Business Connect Project. The project will be conducted in a phased approach. A description of one possible approach to the phases is presented in Section 8. However, since this is a solutions-based procurement approach, vendors will be allowed to propose their own ideas.

Figure 6-3: High Level Project Timeline



## 6.10 Project Monitoring

The PM is the first person responsible for monitoring the health of the California Business Connect Project. Through weekly meetings with the integration vendor and regularly scheduled team meetings, risks and issues against the scope, schedule, budget, and quality will be evaluated and addressed.

Also, the PM will conduct an evaluation periodically based on the CA-PMM Monitoring Vital Signs Scorecard. This Scorecard will be provided to CTA in the periodic project progress report.

The Scorecard requires the PM to analyze 15 categories of potential project risk. The Scorecard then calculates the project health based on the analysis. Based on this health scorecard, the PM may need to take corrective actions.

The Scorecard is one of several facets of CTA’s periodic project progress report that SOS will be submitting. Other aspects of the report require the PM to analyze and report on milestones, schedule, resources, quality, scope, and budget variances from the plan. The periodic progress report also requires the PM to evaluate the project’s ability to complete future activities in a timely fashion.

The PM will use the team’s monthly risk meetings as one means to identify and mitigate potential risks.

In addition to the PM, since this is a medium risk project, the California Business Connect Project will secure the services of IV&V and IPOC for the duration of the project including the project initiation phase to monitor the project’s health.

IPOC and IV&V staff will provide services in accordance with CTA Information Technology Project Oversight Framework, PMBOK®, and IEEE standards. The oversight effort will include inspection, measurement, tracking, and observation

activities to ensure that the project objectives are achieved within the approved project plan. Integration vendor deliverables will be reviewed for adherence to accepted standards.

IPOC and IV&V staff will monitor the progress of the project and provide information on project issues, risks, and status to the PM, Project Director, Sponsor, Executive Steering Committee, and the oversight agencies, as appropriate. Focus will be on early detection of potential risks or impediments to project progress so that appropriate actions can be taken to ensure successful implementation of the project.

In addition to the independent evaluation of performance, the PM will collect and report to the Project Director monthly on quality and performance metrics as a means to track project progress and adherence to standards.

The Executive Steering Committee, led by the Project Sponsor and staffed by the Project Director, will receive monthly reports against established quality and performance metrics and provide guidance on corrective actions to the Project Director, as appropriate.

Regularly scheduled meetings with the project management team and relevant stakeholders will be held to discuss project status, issues and corrective actions.

Lastly, the Contract Manager will establish and evaluate performance for each vendor against the contract requirements and report this information as needed to the PM and Project Director. Measurements might include metrics to evaluate timeliness of deliverables, quality against established requirements, and number of times deliverables had to be revised.

## **6.11 Project Quality**

Quality is defined as the delivery of a work product or deliverable that satisfies the requirements and objectives of the California Business Connect Project with minimal errors and defects. In order to ensure that the products delivered by the project meet the specified business and technical objectives and requirements, the following approach will be utilized to minimize the risk of receiving a work product or deliverable of poor quality:

- The Executive Steering Committee will provide ‘top-down’ oversight while the project team will provide ‘bottom-up’ oversight.
- The SOS PM, who will be a consultant, will collaborate with the integration project manager to ensure that the expectations for each deliverable are well defined in advance through the creation and approval of Deliverable Expectation Documents (DED).
- The Project Team – consisting of BPD and ITD staff – will review all major milestone deliverables produced by the vendor to ensure that established standards and methodologies are met.

- The project will have a Quality Manager responsible for developing a Quality Management Plan that will establish processes and plans for the overall management of quality-associated work to ensure that the deliverables meet functional and technical requirements and that processes are established to enhance ability to achieve quality expectations.

Throughout the project, the Quality Manager is responsible for:

- Establishing quality standards and performance metrics and targets for project management processes, software quality, and daily activities.
- Collect data and monitor processes for compliance to these quality standards.
- Conduct quality audits to determine corrective action when practices or deliverable quality appears to be declining.

The Quality Manager will establish checklists and use tools to measure quality against established expectations. The Quality Manager will work closely with the Acceptance Test Lead when performing system tests to ensure acceptance testing is consistent with established quality expectations.

The IV&V staff will play a major role in ensuring the quality goals of the project. IV&V responsibilities will include:

- Quality Assurance reviews of the system integration vendor's plans and deliverables, including: schedules, requirements specifications, systems architecture and design specifications, system test plans, and system test results.
- Validation of requirements, including user, system software, hardware, and security.
- Tracing of requirements throughout each phase of the system development lifecycle.
- Independent analysis on critical issues.
- Independent testing of software.

## **6.12 Change Management**

Change is an inevitable occurrence on any project. A change is defined as any alteration to the scope of the project including requirements, hardware, software, application, network, operations or environment that adds to, deletes from, or in any way modifies the scope of work. In order to effectively manage change for this project, a Change Management Plan will define the process, procedures and outputs for all change-related project activities and will be prepared as discussed in the introduction to this section. The plan will identify the parties responsible for identifying, resolving, supporting, and making project changes. The major goal of this change management strategy is to ensure changes are made using standardized methods and procedures that minimize negative impacts and maximize positive impacts to the requirements, design, development, implementation, and maintenance of the system.

The Change Management process will define the processes and procedures for: how an identified need for change will be reported; how the change request will be analyzed and documented; how the change will be acted upon for review, approval or denial; and, how the change will be incorporated into the Project Management Plan. The plan is designed to:

- Minimize project risk,
- Provide documentation for all changes,
- Minimize disruption to the project due to rework,
- Measure project volatility,
- Provide open disclosure of changes,
- Communicate changes to stakeholders,
- Ensure methodical review of proposed changes,
- Maximize system/application value, and
- Minimize unanticipated impacts to schedule and/or budget.

The implementation of a Change Management Plan ensures that all changes are evaluated for potential scope, budget, and schedule impacts. The process allows decision-makers the opportunity to evaluate changes in a systematic manner that becomes a component of the overall project risk management strategy. Without a method for evaluating, prioritizing, and implementing changes, schedule delays, poorly defined requirements, and/or cost overruns are potential results for any system development effort. Alternatively, a well-defined and properly utilized Change Management process reduces risk and increases the likelihood of project success.

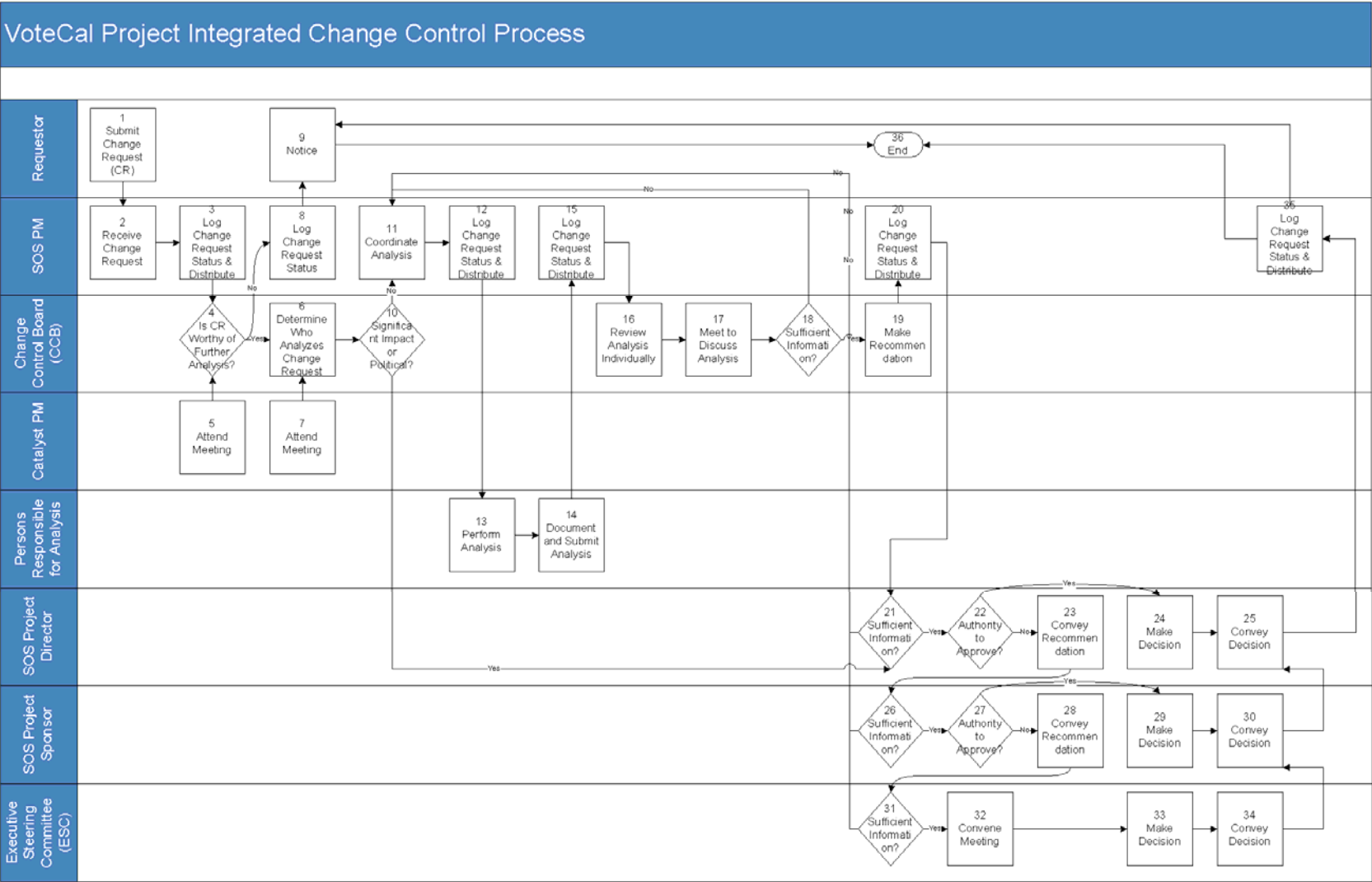
The Change Management Process for this project will provide a mechanism for the review and approval of changes or additions to the scope, requirements, or design of the system. This process will allow SOS program areas and the application vendor to jointly discuss, review, prioritize and approve changes to requirements and design through all phases of the project.

The Change Management process will track all proposed changes to deliverables, including the system software and hardware. All requested changes will be analyzed with respect to cost and benefit, and necessity to the project's success. Change requests that have received approval that impact the contract will be presented to the Executive Steering Committee for approval. This process ensures that changes are documented and applied in a controlled manner with participation from relevant project personnel from initiation through closure.

Approved changes will be included in an updated and approved schedule and assigned to the responsible party for execution. Documentation affected will be updated in accordance with the approved document management process.

The following figure presents a successful and manageable change control process established for another SOS project. A similar process will be developed for the California Business Connect Project.

Figure 6-4 Sample Change Control Process





### **6.13 Authorization Required**

The approval that is needed for this project is specified in State Administrative Manual, section 4819.35, paragraph 4, whereby “Projects subject to approval by CTA (non-delegated projects) require submission of a Feasibility Study Report to CTA and to the Office of the Legislative Analyst. In addition, the Feasibility Study Report must be submitted to the Department of General Services when the contract total exceeds the agency's delegated purchasing authority.” The Feasibility Study Report will then be submitted to the DOF with a BCP.

An ITPP will be submitted to DGS for approval along with the PMP in the toolkit.

Reporting criteria as required by CTA will be followed throughout the project.

## 7.0 Risk Management Plan

Risks are events that, should they occur, could have a significant impact on the California Business Connect Project. The methodology to identify and manage risks in CA-PMM will be followed on this project and is described in this section.

Identifying, analyzing, responding to, and tracking/controlling risks are crucial to ensure the fewest number of surprises on a project thereby enabling a methodical implementation. If the project team does not make the effort to identify potential events that, if they occur, could negatively impact the project, the project management team will be distracted by having to respond to an emergent issue at a time when resources were not allocated and may not be available. Developing a risk management plan that identifies how risks will be identified, analyzed, responded to, and tracked then controlled will enable the project team to develop an approach to how the team would handle potentially adverse situations at a time on the project before the crisis occurs. Planning ahead provides more time for thoughtful analysis and development of a well-planned approach to mitigate high-level risks.

The California Business Connect Project's Risk Management Plan (RMP) is primarily based upon the requirements outlined in CTA's CA-PMM. Where appropriate, methodologies from the Information Technology Project Oversight Framework and the standard risk management approach recommended in the Project Management Institute's (PMI) Project Management Body of Knowledge (PMBOK®) will be utilized as needed to supplement the CA-PMM methodology.

This section first presents the Risk Management Worksheet, per the Feasibility Study Report (FSR) instructions, and then provides a description about the approach used to identify and manage risks.

### 7.1 Risk Management Worksheet

An initial risk assessment has been performed based on the complexity assessment and risks known to large IT projects in California. In order to assess the initial risk involved in the implementation of a solution, eight broad risk areas were examined including: project management, governance, resources, scope, schedule, financial, technology, data conversion, and operational risk.

The worksheet below was developed using the FSR instructions. When project planning is initiated, this information will feed into the Risk Register, as defined in CA-PMM.

The risks identified in this high level assessment are listed in the following table. Further risk determination, analysis, and mitigation strategies will be performed once the project is initiated, and of course throughout the project lifecycle.

**Table 7-1 - Risk Management Worksheet**

Risk Category/Event	Prob.	Assumptions	Preventive Measures	Contingency Measures
<b>Project Management Risks</b>				
Procurement results in vendors who do not understand necessity and value of rigorous project management methodology.	Med. - .50	Rigorous project management methodology is critical for project success.	Develop procurement document that rates methodology proposed with at least as many points as the solution.	SOS sits with vendor once selected to establish and document expectations. SOS rigorously manages vendor to project management methodology.
Vendor and SOS disagree on how project should be managed.	Med. - .50	Vendor with little experience in California IT deployments is selected.	Review contract and state IT requirements with vendor as soon as contract is signed.	Stop project until vendor and SOS discuss project management expectations and come to agreement.
Project requires input of several other departments including: FTB, EDD, BOE, and AG.	Med. - .50	These departments want to work with SOS as they need the information to be readily available to do their jobs.	Explain the project early and update these stakeholders often.	Defer the functionality these departments need until they can actively participate.
<b>Governance</b>				
Lack of effectiveness of Secretary of State and/or Executive Steering Committee decision-making processes	Low - .20	Secretary and Executive Steering Committee view project as a top priority. Review and approval process meets project timelines.	Clearly explain roles and responsibilities and review frequently when project is initiated to ensure single understanding, especially by those who have not participated on an IT project in the past. Schedule meetings in advance ensuring full participation. Provide materials in advance to facilitate decision-making process.	Adjust schedule as necessary.
Project scope changes that require additional review/approval by control agencies and Legislature.	Low - .20	Control agencies and Legislature will require additional time in order to review and approve any scope changes.	Ensure the scope of the project is clearly defined and agreed to by the vendor to minimize changes. Only allow changes to scope that are crucial for project success.	Adjust schedule as necessary

Risk Category/Event	Prob.	Assumptions	Preventive Measures	Contingency Measures
<b>Resources</b>				
Access to knowledgeable subject matter experts within BPD and ITD	Med -.50	Skilled SOS staff may not be available to support this project due to competing priorities.	Define in advance the skill sets required at each phase of the project. Coordinate with the ITD Chief to ensure necessary ITD staff members are available. Dedicate BPD subject matter experts (SME) to represent their respective areas. Hire student assistants and allow overtime to backfill SMEs production work to ensure no additional backlog due to SMEs being dedicated to the project.	Train existing ITD staff in existing technologies and alert them to other enterprise activities so that they accurately represent IT in the core team.  Identify multiple potential SMEs in each area, designate alternates and ensure alternates are kept informed of project status.
Availability of sufficient vendor resources	Med - .50	Given the economic situation in California, vendors may not want to bid the work knowing getting paid is difficult.	Request automatic rollover authority for spending allocated funds so that a budget delay does not delay payment.	
Continuity of state business project personnel throughout the life of the project	Med —.50	Staff turnover, retirement, and promotion opportunities are high likely leaving the project without knowledgeable staff.	Create detailed estimates of resource demands in advance. Hire temporary help and cross train existing SOS staff in BPD functions to enable experienced staff to focus on project implementation tasks. Communicate resource demands to senior executives as early as possible.	Adjust the schedule as necessary.
<b>Scope</b>				
Business rules change at the federal level	Med. - .50	Changes at the federal level will impact the project's schedule and scope.	None	Allow greater variance in budget and scope before SPR required.

Risk Category/Event	Prob.	Assumptions	Preventive Measures	Contingency Measures
<b>Schedule</b>				
Vendor inability to implement system to meet project timeline	Med - .50	Vendors may not have the resources available to meet the project timeline.	Review and identify resource availability at the start of the project and obtain agreement from the vendors to provide these resources.	Adjust the schedule as necessary.
<b>Financial</b>				
Underestimated costs	Med - .50	The cost of the project could be underestimated based on the fact that vendor estimates are based on assumptions that are made before entering the actual environment. A selected vendor may issue change order requests to recover these underestimated costs.  The State's poor economic health will make funding this project an ongoing challenge even though statute provides funds for this project, and the project will use Business Fees Funds and SOS Reimbursements.	Develop conservative cost estimates that take into consideration the complexity and risks associated with this project.  Strong project management and oversight functions will be employed to closely monitor all costs throughout the project's lifecycle.	Request additional funding.
Funding stream is not guaranteed	High - .75	Although statute requires the collection of \$2.50/filing for purpose of deploying this system and sufficient funds are collected in the Business Fees Fund to cover the project, the funds have been swept to meet General Fund needs.	Explain need to Governor's Office and Legislature and that businesses are paying for the SOS services.	Schedule project to be deployed in independent phases so that if funding evaporates whatever has been delivered is functional.

Risk Category/Event	Prob.	Assumptions	Preventive Measures	Contingency Measures
<b>Technology Risks</b>				
Use of non-integrated multiple current systems will not be abandoned.	High – 1.0	Staff owning existing workarounds may resist giving up 'their' system.	Communicate benefits of new system to staff from project initiation through project close out. Provide sufficient training.	Provide additional training as an identified need by supervisor.
System must be robust enough to be available 24/7/365	High – 1.0	Users will expect access to the system to perform function at any time day or night. System must function in a robust manner to meet users' needs.	Develop RFP requirements to ensure robustness of application and technology supporting it.	Consider failover system.
Security of data must be assured in new system.	High – 1.0	Some BPD data, including credit card information, is sensitive and must be protected accordingly. The new system must be PCI compliant.	Ensure requirements thoroughly address security of data.	Hire a security vendor to evaluate security protections and make recommendations for enhancement.
No existing COTS available to purchase.	High - .90	Although the basic functionality needed to support the BE Section, including document management, workflow, online submissions, and credit card fee collection at point of service, are not new across industries, the use of this technology in the Secretary of State environment is new. In a preliminary analysis of the 50 Secretary of State's throughout the country, all operate in a semi-automated, but mostly paper-based environment.	Establishing clear, concise requirements and selecting an experienced vendor with a COTS product is a preventative measure.	Purchase an application development solution.

Risk Category/Event	Prob.	Assumptions	Preventive Measures	Contingency Measures
<b>Data Conversion</b>				
Data conversion activities will require significant manual resources	High -.80	Data conversion will be a problem due to the quality of data residing in existing systems and that much data is on paper which will need to be manually entered.	Develop a formal plan for data analysis, conversion and integration. Institute a formal data quality assurance and improvement process. Create meaningful metrics for measuring data quality, including criteria for acceptance of the data prior to system implementation. Actively assess and improve data quality up to system implementation and thereafter.	Adjust schedule as necessary.
Data synchronization will be a challenge given the variety of business processes and data models for the various forms.	Med -.50	Manual intervention will be required.	Facilitate a consensus-based resolution of this issue with the data synchronization team. Build a common data dictionary. Develop clear data synchronization standards. Automate data synchronization to the maximum extent possible.	Adjust schedule as necessary.
<b>Change Management/Operational Risk</b>				
Significant change in how BPD business is done may increase resistance to adopt system by staff	High – 1.0	The system will completely automate existing paper based processes. This significant change is likely to disrupt staff.	Use SMEs to communicate throughout the project the benefits of the project to their colleagues. Develop robust training approach and communication campaign. Develop organization change management plan.	Continuously monitor staff for training needs.
System impacts every business in California.	Med - .50	Users want to use system but do not know how	The SOS will provide project updates to stakeholders and also provide training as it did when it deployed the UCC system, which is used online in 99% of requests for information and 66% of filings.	Continue to allow users to file on paper as they do today.

### 7.1.1 Assessment

Identifying and analyzing risks throughout the project is critical to ensuring the project is aware of and addresses potential events that could have an impact on the project. Some of the events are external, such as the budget process. Some events are internal, such as staffing availability. SOS will use a risk management approach to assessing project risks in three phases that collectively consists of six steps:

#### Risk Assessment

- Identification (includes intake process)
- Analysis and quantification
- Prioritization

#### Risk Response

- Response action analysis

#### Risk Tracking and Control

- Tracking and reporting
- Resolution and retirement

### 7.1.2 Risk Identification

A risk is an event or condition that, if it occurs, has a positive or a negative effect on at least one project objective, such as scope, schedule, or budget. A risk may have one or more causes, and if it occurs, one or more impacts. A risk may be within or beyond the control or influence of the project team.

When work on the project begins, SOS and the solution vendor will agree upon common standards and tools to identify, mitigate, and manage risks. The resulting data will form the risk baseline. Prior to the start of the Design Phase, a risk identification and planning session with the solution vendor will be conducted to re-baseline risks to reflect then current project conditions and the specifics of the California Business Connect Project solution.

As new risks are identified during the life of the project, risks will be analyzed as described below. The SOS Project Manager will convene a Risk Management Team meeting at least monthly to discuss newly identified risks and ongoing risk management efforts. This meeting may be held jointly with the solution vendor's Project Manager and key staff when appropriate to the identified risk.

Any project team member or stakeholder can identify a risk at any time and should use the Risk Intake Form to do so.

If a potential risk is identified orally, the Project Manager (or his/her designee) will complete the Risk Intake Form. Additional information may be added to the form during the Risk Management Team meeting as the potential risk is evaluated.

Information will be captured on the Risk Intake Form by anyone identifying a risk. A Risk Register ensures all identified risks are captured in a single place. Risks are only



entered into the Risk Register once the Risk Management Team has agreed that the identified risk is truly a risk to the project.

Written analyses, recommendations, senior management directives, and policy papers related to risks will be archived in the project library.

### 7.1.3 Risk Analysis and Quantification

Risks will be analyzed based on the type of risk, the probability of the risk occurring, the ability to mitigate the risk, and the potential effect of the risk. The Risk Management Team assigns risk analysis and resolution during its team meetings.

This section describes the relevant factors that will be evaluated in order to determine the risk’s level of severity and priority that should be assigned to each risk. The criteria and process defined below are from the Information Technology Project Oversight Framework.

- **Assign an Impact Rating**  
The impact of a risk is the degree of its effect on the project if the risk does occur. Impact will be assessed in four areas: scope, budget, schedule, and technical performance/quality. The ratings are:

**Table 7-2 – Risk Impact Scale**

Rating	Impact Assessment
1	Less than a 5% change to schedule, scope, budget, or quality
2	5% - 10% change to schedule, scope, budget, or quality
3	11% - 15% change to schedule, scope, budget, or quality
4	16% - 24% change to schedule, scope, budget, or quality
5	25% or greater change to schedule, scope, budget, or quality

- **Assign a Probability Rating**  
The Probability Rating identifies the likelihood the risk will occur during the project. The probability scale is provided in the table below:

**Table 7-3 – Risk Probability Scale**

Rating	Likelihood
1	LESS THAN 20%
2	21% – 40%
3	41% - 60%
4	61% - 80%
5	GREATER THAN 80%

- **Assign Time Frame**  
Determine the timing scale from the time frame within which action must be taken to successfully mitigate the risk per the following table:

**Table 7-4 – Risk Timing Scale**

Project Duration	Timing Scale		
6 Months	1 = Immediately	.66 = Within the next 3 months	.33 = More than 3 months from now
> 6 Months to < 1 Year	1 = Within the next 3 months	.66 = 3 to 6 months from now	.33 = More than 6 months from now
1 year to < 3 years	1 = Within the next 3 months	.66 = 6 months to a year from now	.33 = More than a year from now
3 years to < 5years	1 = Within the next year	.66 = More than a year from now	.33 = More than 2 years from now

#### 7.1.4 Risk Prioritization

Each risk will receive a prioritization ranking based on the calculation of multiplying probability by impact by timing scale.

Generally, the project team will give those risks with the highest ranking the most attention and the highest priority for resource allocation. If resources are constrained, the team weighs prevention, mitigation, and contingency actions against other assigned project tasks and schedules those actions appropriately.

Since risk severity, relative priorities, and response options may change as the project progresses, the project team will review and update risk ranking during regularly scheduled risk management team meetings.

The analysis performed in the previous steps results in a ranking of 1-25 for the risk level. Each factor is multiplied with the others to arrive at the risk level. An example of a resulting risk register is in the following table.

**Table 7-5: Sample Excerpt from Risk Register**

#	Risk	Probability (1-5)	Potential Impact (1-5)	Timing (.33 – 1)	Risk Level (1-25)
1	Business rules change at the federal level impact project scope, budget, and schedule	3	4	.66	7.92
2	System must be robust enough to be available 24/7/365	5	4	1	20
3	Data conversion activities will require significant manual resources	4	4	1	16
Etc.					

### 7.1.5 Risk Response

As the project proceeds and potential risk events emerge, appropriate risk response actions will be defined, planned, and implemented. Risks with a high prioritization level are most likely to require development of a risk response plan. A risk response plan generally will not be developed for risks that fall into the low priority levels (although the assigned risk owner will continue to monitor for changes in these risks).

If there is nothing that can be done to avoid or mitigate a prioritized risk at either the project or senior management level, the risk will be accepted and a contingency plan will be developed with appropriate actions posted into the project schedule.

The Project Manager will review risks that fall into the medium risk category on a case-by-case basis. The Project Manager will decide whether to defer potential action at the present time and direct the risk owner to simply monitor and report on the risk or to expend the resource to develop a Risk Response Plan. As appropriate, the Project Manager will add response actions to the project schedule. Additional adjustments may be made to the project budget, resourcing, or communications strategy. The Project Manager or Project Director may determine that a contingency plan is needed to effectively manage a medium risk. Such determination is referred to the Risk Management Team for action.

Risks may present opportunities as well as threats. Opportunities will need careful consideration since they may represent scope expansion, resource reallocation, schedule extension, and increased costs in exchange for the emergent business value. Consequently, the risk response categories below apply equally to threats and opportunities.

During risk evaluation, the Risk Management Team discusses the nature of the risk, its potential impact on the project, and the response options available to the project. Based on this determination, actions may be identified, resourced, scheduled, and implemented, and outcomes are monitored.

Once a risk is identified and accepted, the team must determine a response. The following are potential response options:

- Acceptance: Risks for which no action is within the influence or control of the project and for which responses cannot be anticipated or planned in advance.
- Avoidance: Action that if executed enough in advance will prevent the risk from occurring.
- Mitigation: Action that will lesson the risk's likelihood of occurrence or impact on the project.
- Sharing/transference: Action that will shift some of the risk to others such as contractors or surety companies.

The Risk Management Team uses the definitions above to make decisions about each of the top priority risks. Methods to think about the approach are described below.

### **7.1.6 Risk acceptance**

Risk acceptance is an informed decision. The Risk Management Team analyzes the risk and determines that:

- There are no preventative actions available to decrease the likelihood the risk will occur; and
- Should the risk condition emerge, no actions can be anticipated to lessen the impact on the project.

If the risk is accepted, the PM will document the acceptance and monitor the risk. Acceptance retains the risk within the risk management monitoring process for change in risk status.

### **7.1.7 Avoidance Actions**

When appropriate, avoidance actions will be taken to eliminate the chances of a risk occurring. Examples of avoidance actions include:

- Clarifying or changing requirements,
- Improving communication,
- Acquiring expertise, and
- Reducing project scope to eliminate risk areas.

### **7.1.8 Mitigation Actions**

For risks that cannot be avoided, additional mitigating actions may be implemented to lessen the likelihood the risk will occur and/or lessen the impact of the risk's occurrence on the project. Examples of mitigating measures include:

- Supplemental planning or monitoring activities;
- Introduction of new tasks or changes in dependency relationships among tasks;
- Changes to number or skills of task participants;
- Changes to the type, frequency or reporting of status data;
- Purchase of additional hardware or software; and
- Add external resources or consultants.

The project plans to employ three important risk mitigation strategies:

- Contracting for external project management, IV&V and IPOC services;
- Establishing an Executive Steering Committee to sustain senior management sponsorship and involvement; and
- Establishing a regular, formal risk management process.

Mitigation activities become scheduled, resourced, and managed project tasks. The severity of the risk will determine the sophistication level of the planned mitigation activities. Mitigated risks receive continued monitoring until the risk ceases to impact the project and is closed.

### **7.1.9 Sharing/Transference**

Sometimes the state cannot eliminate the risk and must accept it while finding a way to minimize it. Sharing the risk or risky activities with the vendor community is one method to minimize the risk.

## **7.2 Risk Tracking and Control**

During the life of the project, risks and associated actions need to be monitored. During the Risk Management Team meetings, the assigned risk owner will provide the status of risk-related activities and the Risk Register will be updated as appropriate.

As a robust tracking and control tool, the Risk Register can capture more than the information identified above. In addition to the risk, probability, potential impact, timing, and the risk level calculation, the Risk Register can include the following:

- Cause – Trigger(s) that create the conditions for the risk occurring.
- Consequence – the results of the realization of the risk.
- Avoidance Plan - Attempts that are made to overcome the risk by trying to stay away from it or eliminate it.
- Mitigation Plan - The way in which the probability of the risk and impact to the project is reduced, but not fully avoided.
- Trigger Events - Occurrences or activities that indicate that a given risk will occur, or is already occurring.
- Owner - The individual on the team who has been assigned the responsibility for monitoring the risk and letting the team know if the risk management plan needs to be activated.
- Response Plan Effectiveness - An assessment of the degree to which the risk management activities were effective in dealing with the risk.
- Residual Risks - Risks that remain even though risk management activities took place as planned
- Secondary Risks - Risks that are actually created through the implementation of the planned risk management activities.
- Risk Status - Statement of the current condition of the risk.
- Closure Date - The date the risk was determined to be longer possible or a threat to the project.

In addition to ensuring the Risk Register is current, the Project Manager needs to ensure risks are being addressed by the assigned owner. To make this determination, the database should be able to provide information on:

- Top ten risk items (based on priority ranking);
- Number of risk items resolved to date;
- Number of new risk items since the last report; and
- Number of risk items unresolved.

In addition to the database providing the above named information, the Project Manager needs to collect metrics to track unresolved risk items on the critical path.

### **7.3 Risk Tracking, Reporting and Control**

The Risk Register will be the principal repository of risk history. The Project Manager also is responsible for obtaining the update/status information from risk management meetings and recording it in the Risk Register.

The Project Manager reports risk description, rating, and status for high priority risks via the Periodic Project Status Report, which is used to brief the IPOC and is shared with the Project Director, Sponsor, and CTA. High priority risks are reported to CTA within 15 calendar days of identification. Risk-related information may also be used by the Project Director to brief the Executive Steering Committee. Customized reports may be developed for this purpose.

Any risk activities (monitoring, analysis, plan development, mitigation actions, and status reporting) that consume significant staff resources or require coordination will be placed on the project schedule. The Project Manager, in consultation with the Project Management Team and the solution vendor's Project Manager, will determine what constitutes significant resources or coordination effort.

Status monitoring and reporting activities that are inclusive to Risk Management meetings and do not result in significant redirection of staff resources will be absorbed by project staff.

At the Project Manager's discretion critical due dates and risk-related milestones may be added to the project schedule.

### **7.4 Risk Escalation**

Throughout the risk identification, tracking and control process, there will be times when the risk must be escalated, either because the mitigation approach requires the approval of those above the Project Manager or the risk itself cannot be addressed with an approach that all parties agree upon. The process for risk escalation follows.

### **7.5 Escalation Criteria**

The Project Manager has the authority and responsibility to identify and develop mitigation strategies for all risks. When a risk mitigation strategy involves increasing scope, schedule or budget beyond the Project Manager's authority, the Project Manager

must escalate to the Project Director. Similarly, if the mitigation strategy is beyond the authority of the Project Director, the Project Director must escalate to the Project Sponsor. The Project Sponsor will escalate to the Executive Steering Committee depending upon impact to policy; impact to scope, schedule or budget; or sensitivity with stakeholders. High probability, high impact risks are to be identified as such to the Project Sponsor regardless of mitigation strategies. These are also to be forwarded to CTA.

## **7.6 Escalation Process and Timeframes**

Within five business days, risks that are not high probability, high impact risks must be escalated to the Project Director for resolution. If the Project Director does not have the authority to approve the mitigation plan, the risk is to be escalated by the Project Director within three business days of receipt to the Project Sponsor. Similarly, if the Project Sponsor does not have the authority to approve a mitigation plan, the Project Sponsor will identify the risk to the Executive Steering Committee at its next meeting, or will request an ad hoc meeting of the Executive Steering Committee to address the risk.

If the risk is a high probability, high impact risk, the Project Manager must raise it to the Project Director within one business day of acceptance as a risk the Risk Management Team. The Project Director will address the risk if it is within the authority of the Project Director, but will also identify it as a high probability, high impact risk to the Project Sponsor. If the Project Director does not have the authority to resolve it or if it is of a sensitive nature, the Project Director will escalate it within two business days to the Project Sponsor to be addressed. Even if the Project Sponsor has the authority to resolve it, the Project Sponsor must identify it as a high probability, high impact risk to the Executive Steering Committee at its next regularly scheduled meeting. If the Project Sponsor does not have authority to resolve it or chooses to escalate it for resolution, the Project Sponsor must convene a meeting of the Executive Steering Committee and present it within five business days.

If the solution vendor, at any time in the process, believes a risk is not being properly addressed, the solution vendor can request escalation through the Project Manager. The process identified above will be followed until the risk is addressed in a manner acceptable to both the SOS and integration vendor. The Executive Steering Committee is the final decision-making body for addressing the risk whether or not the integration vendor agrees with how the risk is being addressed.

## **7.7 Resolution and Retirement**

At each Risk Management Team meeting, the risk owner will summarize the status of the risk and the team will determine whether the risk has been eliminated or whether additional monitoring or follow-up actions are required. If the risk has been eliminated, the Project Manager will mark the risk closed in the Risk Register. The risk owner will ensure all materials related to the risk response have been provided to the Project Manager for archiving in the project library.

At the Project Manager's discretion, a risk that has been closed may be reopened rather than enter a new but similar risk into the database. In the case of reemerging risks, analysis should include why the item was not fully resolved the first time and the likelihood interventions exist that permanently resolve the risk at this time. Risks of a cyclical nature (such as those dependent on legislative or budget cycles) may be closed and reopened on a cyclical basis if the nature of the risk is well understood. Otherwise, if a previously closed item has remained closed for six months, the recurring risk should be opened as a new risk.



## 8.0 Economic Analysis Worksheets

The following section includes the Economic Analysis Worksheets for the California Business Connect Project. The costs presented are subject to change once the solutions-based application development procurement is completed.

- Existing System/Baseline Cost Worksheet
- Proposed Alternative: Application Development for Online Filing, Web Search Functions & Workflow Worksheet
- Alternative 1: None
- Economic Analysis Summary
- Project Funding Plan

### 8.1 Existing System/Baseline Cost Worksheet

**EXISTING SYSTEM/BASELINE COST WORKSHEET**

Department: **Secretary of State**

All costs to be shown in whole (unrounded) dollars.

Date Prepared: January 2011, revised 3/02/11

Project: **California Business Connect**

Gather Project Team,  
Prepare RFP  
Requirements &  
Release RFP for  
Application Dev Solution  
(Include Proof of  
Concept)

Award Application Dev  
Contract

Ongoing Maintenance

	FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
<b>Continuing Information</b>														
<b>Technology Costs</b>														
Staff (salaries & benefits)	7.5	881,820	7.5	881,820	7.5	881,820	7.5	881,820	7.5	881,820	7.5	881,820	45.0	5,290,920
Hardware Lease/Maintenance		10,000		10,000		10,000		10,000		10,000		10,000		60,000
Software Maintenance/Licenses		78,000		78,000		78,000		78,000		78,000		78,000		468,000
Contract Services		255,420		255,420		255,420		255,420		255,420		255,420		1,532,520
Data Center Services		1,479,000		1,479,000		1,479,000		1,479,000		1,479,000		1,479,000		8,874,000
Agency Facilities		0		0		0		0		0		0		0
Other		0		0		0		0		0		0		0
<b>Total IT Costs</b>	<b>7.5</b>	<b>2,704,240</b>	<b>7.5</b>	<b>2,704,240</b>	<b>7.5</b>	<b>2,704,240</b>	<b>7.5</b>	<b>2,704,240</b>	<b>7.5</b>	<b>2,704,240</b>	<b>7.5</b>	<b>2,704,240</b>	<b>45.0</b>	<b>16,225,440</b>
<b>Continuing Program Costs:</b>														
Staff	235.6	13,338,000	235.6	13,338,000	235.6	13,338,000	235.6	13,338,000	235.6	13,338,000	235.6	13,338,000	1413.6	80,028,000
Other		6,669,000		6,669,000		6,669,000		6,669,000		6,669,000		6,669,000		40,014,000
<b>Total Program Costs</b>	<b>235.6</b>	<b>20,007,000</b>	<b>235.6</b>	<b>20,007,000</b>	<b>235.6</b>	<b>20,007,000</b>	<b>235.6</b>	<b>20,007,000</b>	<b>235.6</b>	<b>20,007,000</b>	<b>235.6</b>	<b>20,007,000</b>	<b>1413.6</b>	<b>120,042,000</b>
<b>TOTAL EXISTING SYSTEM COSTS</b>	<b>243.1</b>	<b>22,711,240</b>	<b>243.1</b>	<b>22,711,240</b>	<b>243.1</b>	<b>22,711,240</b>	<b>243.1</b>	<b>22,711,240</b>	<b>243.1</b>	<b>22,711,240</b>	<b>243.1</b>	<b>22,711,240</b>	<b>1458.6</b>	<b>136,267,440</b>

## 8.2 Existing System/Baseline Cost Assumptions

The following are the assumptions for the existing system/baseline costs.

- If SOS is not allowed to implement technology to automate its intensive manual processes for more than 2 million documents received for filing annually, staffing levels in BPD will need to be increased to address the workload. Recent budget cuts required SOS to close three of the four regional offices, reduce its overtime, students and retired annuitants, with the consequential reduction in the number of person hours that can be applied to the workload. The EXIS worksheet includes 2009/10 baseline for program staff (excluding the Notary Public Unit's baseline), plus "pre-budget cuts" program costs as the Continuing Existing Program Costs beginning in FY 2011/12. At this point in time, we would assume the savings for such additional resources would be realized only upon full implementation of the project.

**Figure 8-1: Pre-Budget Reduction and Current Baselines**

	FY 2007/08		FY 2009/10		Difference
	Pre-Budget Cuts	-Notary (14.5%) x 85.5%	Post-Budget Cuts	-Notary (14.5%) x 85.5%	
Personal Services	\$15,600,000	\$13,338,000	\$15,502,000	\$13,254,210	\$ 83,790
OEE*	\$ 7,800,000	\$ 6,669,000	\$ 6,262,000	\$ 5,354,010	\$1,314,990
	<b>\$23,400,000</b>	<b>\$20,007,000</b>	<b>\$21,764,000</b>	<b>\$18,608,220</b>	<b>\$1,398,780</b>

\*Excludes Central Administrative Services

The return to pre-budget reduction in FY 2007/08 is required to process the current manual workload and to address the outcry about the backlog from the public to SOS, the Governor's Office of Economic Development, as well as the media, as evidenced in editorials in the paper. (See Appendix 5 for the example of editorial)

- Approximately 7.5 PY from ITD application who are currently supporting the mainframe will be redirected to support the new application after full implementation. Of the 7.5 PY application support staff, four are full-time mainframe programmers and will be retrained to support the new application. However, SOS may seek vendor support for Maintenance and Operation during the first year.
- Hardware lease and maintenance costs are expected to remain the same across all years until UCC is migrated off its current workflow system. These costs include all Operating Expenses & Equipment such as server maintenance, software license maintenance, backup environments, etc.

- The current staffing levels for BPD tie to the FY 2009/10 Division Budget Allocations for BPD, less 40 Notary Public positions of the 47 in the Notary Public and Special Filings Section that are not part of this project.

**Figure 8-2: Business Programs Division Staffing Baseline**

	Positions	Percentage of BPD in Baseline
Total # of positions in Business Programs Division	275.6	100%
Notary Public (Not in scope)	40 positions (47 total, includes 2 investigators and 45 other notary public positions, less 7 special filings/ trademarks positions)	14.5%
FSR BPD Staffing Baseline	235.6	85.5%

### 8.3 Proposed Alternative

PROPOSED ALTERNATIVE: Application Development

Date Prepared: January 2011, revised 3/02/11

Department: Secretary of State  
Project: California Business Connect

All Costs Should be shown in whole (unrounded) dollars.

	FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
<b>One-Time IT Project Costs</b>														
Staff (Salaries & Benefits)	13.6	1,044,817	16.5	1,241,726	20.5	1,651,576	21.5	1,736,615	21.5	1,736,615	0.0	0	93.6	7,411,349
Hardware Purchase		0		560,000		22,000		20,000		20,000		0		622,000
Software Purchase/License		0		290,000		0		0		0		0		290,000
Telecommunications		0		0		0		0		0		0		0
<b>Contract Services</b>														
Software Customization		0		500,000		2,500,000		2,500,000		2,500,000		0		8,000,000
Project Management		160,000		200,000		200,000		200,000		200,000		0		960,000
Project Oversight		84,000		105,000		105,000		105,000		105,000		0		504,000
IV&V Services		104,000		130,000		130,000		130,000		130,000		0		624,000
Other Contract Services		470,000		210,000		160,000		160,000		160,000		0		1,160,000
<b>TOTAL Contract Services</b>		818,000		1,145,000		3,095,000		3,095,000		3,095,000		0		11,248,000
Data Center Services		0		4,320		17,280		17,280		17,280		0		56,160
Agency Facilities		0		0		0		0		0		0		0
Other		238,116		347,896		373,256		386,256		386,256		0		1,731,760
<b>Total One-time IT Costs</b>	<b>13.6</b>	<b>2,100,933</b>	<b>16.5</b>	<b>3,588,942</b>	<b>20.5</b>	<b>5,159,112</b>	<b>21.5</b>	<b>5,255,151</b>	<b>21.5</b>	<b>5,255,151</b>	<b>0.0</b>	<b>0</b>	<b>93.6</b>	<b>21,359,289</b>
<b>Continuing IT Project Costs</b>														
Staff (Salaries & Benefits)	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	13.5	1,478,464	13.5	1,478,464
Hardware Lease/Maintenance		0		0		112,000		112,000		112,000		112,000		448,000
Software Maintenance/Licenses		0		0		87,000		87,000		87,000		87,000		348,000
Telecommunications		0		0		0		0		0		0		0
Contract Services		0		0		0		0		0		0		0
Data Center Services		0		0		0		0		0		17,280		17,280
Agency Facilities		0		0		0		0		0		0		0
Other		0		0		0		0		0		78,000		78,000
<b>Total Continuing IT Costs</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>199,000</b>	<b>0.0</b>	<b>199,000</b>	<b>0.0</b>	<b>199,000</b>	<b>13.5</b>	<b>1,772,744</b>	<b>13.5</b>	<b>2,369,744</b>
<b>Total Project Costs</b>	<b>13.6</b>	<b>2,100,933</b>	<b>16.5</b>	<b>3,588,942</b>	<b>20.5</b>	<b>5,358,112</b>	<b>21.5</b>	<b>5,454,151</b>	<b>21.5</b>	<b>5,454,151</b>	<b>13.5</b>	<b>1,772,744</b>	<b>107.1</b>	<b>23,729,033</b>
<b>Continuing Existing Costs</b>														
Information Technology Staff	7.5	881,820	7.5	881,820	7.5	881,820	7.5	881,820	7.5	881,820	0.0	0	37.5	4,409,100
Other IT Costs		1,822,420		1,822,420		1,822,420		1,822,420		1,822,420		0		9,112,100
<b>Total Continuing Existing IT Costs</b>	<b>7.5</b>	<b>2,704,240</b>	<b>7.5</b>	<b>2,704,240</b>	<b>7.5</b>	<b>2,704,240</b>	<b>7.5</b>	<b>2,704,240</b>	<b>7.5</b>	<b>2,704,240</b>	<b>0.0</b>	<b>0</b>	<b>37.5</b>	<b>13,521,200</b>
Program Staff	222.0	12,293,183	219.1	12,147,151	215.1	11,942,226	202.1	11,403,644	178.1	10,408,198	181.6	10,972,296	1218.0	69,166,698
Other Program Costs		6,773,176		6,697,599		6,492,674		6,294,154		5,982,154		4,353,688		36,593,445
<b>Total Continuing Existing Program Costs</b>	<b>222.0</b>	<b>19,066,359</b>	<b>219.1</b>	<b>18,844,750</b>	<b>215.1</b>	<b>18,434,900</b>	<b>202.1</b>	<b>17,697,798</b>	<b>178.1</b>	<b>16,390,352</b>	<b>181.6</b>	<b>15,325,984</b>	<b>1218.0</b>	<b>105,760,143</b>
<b>Total Continuing Existing Costs</b>	<b>229.5</b>	<b>21,770,599</b>	<b>226.6</b>	<b>21,548,990</b>	<b>222.6</b>	<b>21,139,140</b>	<b>209.6</b>	<b>20,402,038</b>	<b>185.6</b>	<b>19,094,592</b>	<b>181.6</b>	<b>15,325,984</b>	<b>1255.5</b>	<b>119,281,343</b>
<b>TOTAL ALTERNATIVE COSTS</b>	<b>243.1</b>	<b>23,871,532</b>	<b>243.1</b>	<b>25,137,932</b>	<b>243.1</b>	<b>26,497,252</b>	<b>231.1</b>	<b>25,856,189</b>	<b>207.1</b>	<b>24,548,743</b>	<b>195.1</b>	<b>17,098,728</b>	<b>1362.6</b>	<b>143,010,376</b>
INCREASED REVENUES		0		0		0		0		0		0		0

### **Proposed alternative – Application development for imaging, electronic workflow and online filing assumptions**

The proposed alternative consists of obtaining proven industry products and exceptional programming consulting services for an application development solution, whereby SOS would own the system application code. It is the intent of SOS, after implementation, to use state civil service staff to maintain and modify the application code as needed.

The solution vendor would install and configure the hardware and software products to the customized application. The vendor would perform business processes analysis, develop automated online/web records and certificate orders and fulfillments, develop electronic business forms for online filing, inject the form and data to electronic workflows to automate BPD's internal processes; develop the necessary interfaces to the existing CalSTARS system; and implement the application at the two SOS office locations after testing, training and data conversion.

Although SOS already has a California Project Management Methodology (CA-PMM) civil service project manager on staff, consultant services will be used for dedicated project management services as described in Section 6. SOS will use in-house resources for contract management but hire consultant services for: a solution vendor; Independent Project Oversight Consultant (IPOC); and an Independent Validation and Verification vendor (IV&V) to ensure the project solution meets its defined requirements and objectives. We anticipate that the IPOC or IV&V consultant could serve in both roles. SOS reserves the right to consolidate or split this role after qualifications are assessed.

### **General Assumptions**

- Assumes that SOS's request for additional spending authority is successful. A portion of the SOS Reimbursements is one-half of the \$5.00 disclosure fee (established in accordance with AB 55 (Statutes of 2002, chapter 1015)) collected at the time domestic stock and foreign corporations file their annual Statement of Information. In accordance with California Corporations Code sections 1502 and 2117, one-half of the disclosure fee must be utilized to further the provisions of the respective sections, including the development and maintenance of the required online database to provide public access to all information contained in the Statement of Information. The funding request will request spending authority to finance the automation project from excess Business Fees Fund Revenue and SOS Reimbursements, and will not request an appropriation from the General Fund.
- The existing infrastructure is not sufficient to absorb the increased traffic. Additional hardware, software and back-up costs will be incurred.
- Four new IT staff will be hired to support the infrastructure, along with a supervisor; and one new programmer will be hired for application support. Another four IT staff that are currently assigned to Mainframe Support, will be

redirected to Application Support, after being retrained. Until the system is in place, SOS will not know how much IT support will be needed at the help desk. As such, that position will be considered limited term.

**Figure 8-3: Proposed Alternative: Continuing ITD Project Staff**

<b>Project Area/Role</b>	<b>PY</b>	<b>Classification</b>
<b>Infrastructure Support:</b>		
Database Administrator	1.0	Systems Software Specialist II
System Administrator	1.0	Systems Software Specialist II
Web Server Administrator	1.0	Systems Software Specialist I
Help Desk	1.0	Associate Information Systems Analyst <b>(Limited Term)</b>
Supervisor WNDSX (Windows Network Directory Services Linux/Unix)	1.0	System Software Specialist III (Supervisor)
<b>Application Support:</b>		
Applications Maintenance	1.0	Senior Programmer
Applications Maintenance	4.0	Staff Programmer <i>(Redirected from mainframe)</i>

- BPD staff will be redirected to the project and students will be used to back-fill. These contract costs are included in “Continuing Existing Other Program Costs”

**Figure 8-4: Redirected Staff (FY 2011/12)**

Area	Average Participation Per Staff	Number of Staff	Comments
<b>Supervisors/Legal Redirected</b>			
BPD Division Chief	50%	1	1- Career Executive Assignment II
UCC and Statement of Information (SI)	50%	1	1- Staff Services Manager II
Business Entities Filings (Corporation and Other LLC/LP)	50%	1	1- Staff Services Manager II
Business Entities Records	50%	1	1- Staff Services Manager II
Special Filings	50%	1	1- Staff Services Manager II
Legal	50%	1	1- Staff Counsel III (Specialist)
<b>Subject Matter Experts Redirected</b>			
UCC	80%	1	1- Program Technician II
Statement of Information (SI)	80%	1	1- Associate Governmental Program Analyst
Business Entities Filings (Corporation)	80%	1	1- Staff Services Analyst
Business Entities Filings (Other LLC/LP)	80%	1	1- Corporation Documents Examiner
Business Entities Filings	80%	1	1- Corporation Documents Examiner
Business Entities Records	80%	1	1- Program Technician II
Special Filings	80%	2	2- Corporation Documents Examiner
<b>Automation Development and Support (ADS) Redirected</b>			
ADS Manager	70%	1	1- Staff Services Manager II
ADS (3 positions)	40%	3	3- Associate Governmental Program Analyst
ADS	30%	1	1- Staff Services Analyst
<b>Other Support Staff Redirected</b>			
MSD Accounting	10%	3	1- Associate Accounting Analyst, 1- Senior Accounting Officer (Supervisor), 1- Accounting Officer
MSD Administration (Fiscal, Budgets)	10%	2	1- Staff Services Manager I, 1- Staff Services Manager II
MSD BOAS (contracts, Purchasing, Business Support Services)	10%	7	1- Mailing Machines Operator I, 1-Associate Information Systems Analyst, 1- Digital Print Operator II, 1- Property Controller I/II, 1- Business Service Officer II (Supervisor), 1- Staff Services Manager II
BPD Contracts Administration	20%	1	1- Associate Governmental Program Analyst
ITD	10%	3	1- Systems Software Specialist III (Technical), 1- Chief, Information Technology Division, 1- Senior Programs Analyst (Supervisor)
ITD	20%	1	1- Data Processing Manager III
Project Management Office	5%	2	1- Senior Information Systems Analyst (Specialist), 1- Staff Services Manager II



**Figure 8-5: Student Assistant Hires**

As of: 06/04/2010

<b>YEAR</b>	<b>PAY RATE</b>	<b>Rate w/ taxes &amp; overhead *</b>	<b>Estimated Hours/month</b>	<b>Number of Months</b>	<b># of Student Hires</b>	<b>Total Contract Per Year</b>	<b>DGS Fee Amount</b>	<b>Grand Total</b>
FY 1	\$ 9.48	\$ 11.90	120	12	16	\$ 274,176	\$6,800	\$280,976
FY 2	\$ 9.48	\$ 11.90	120	12	16	\$ 274,176	\$6,800	\$280,976
FY 3	\$ 9.48	\$ 11.90	120	12	16	\$ 274,176	\$6,800	\$280,976
FY 4	\$ 9.48	\$ 11.90	120	12	16	\$ 274,176	\$6,800	\$280,976
FY 5	\$ 9.48	\$ 11.90	120	12	16	\$ 274,176	\$6,800	\$280,976
					<b>TOTAL≈</b>	<b>\$1,370,880</b>	<b>\$34,000</b>	<b>\$1,404,880</b>

\* Rate includes FICA/ Medicare (7.65%), SUI (1.400%), W/C (1.410%), and Indirect Costs at 15.0%. Estimates based on the information provided by University Enterprises, Inc.

- Although the application will be customized, the scanning software and use of payment interfaces for web transactions will most likely be COTS products that require configuration to the newly-developed customized application.
- Custom application coding will be required to address the interface to the CalSTARS accounting system.
- Scanning functionality will be established at the Sacramento and Los Angeles offices. (All other offices have been closed due to budget constraints. See Appendix 4)
- Public kiosks will be set up at each office so that the public may access the online filing system or conduct online research from these public workstations. \$12,000 has been added for four kiosks: three in Sacramento and one in Los Angeles.
- Due to the anticipated dollar value of the proposed solution, in accordance with California Public Contract Code sections 12100 and 12104, the solution vendor acquisition effort will be administered by the Department of General Services, Procurement Division, Technology Acquisition Section. SOS will use Master Service Agreement (MSA) to obtain the services of the solution vendor and either the California Multiple Awards Schedule (CMAS) or IT Consulting MSA to obtain the services of a consultant for the PM, IPOC, and IV&V vendors. SOS anticipates a single contractor will provide both project IPOC and IV&V services.
- SOS has its own Automation Development and Support section whose responsibility is to test enhancements and validate requirements. This staff will be redirected for this effort as detailed elsewhere in this section.

- Up to \$500,000 has been included to hire a professional RFP writer who will assist with requirements gathering and the nuances of putting the RFP together for final release. In addition, security and testing consultants will be necessary for this project.
- The procurement phase will go through February 2013 as detailed in Section 6, which includes the Release RFP for the vendor's solutions-based solution and approval of the SPR.
  - Assumes FY 2011/12 budget passes by July 1st.
  - Assumes PM Assistant and IPOC/IV&V will be hired at the start of the project, well before the solution vendor is hired, to assist in the RFP and report on project planning to CTA.
  - Assumes more than one solution vendor responds to RFP.
  - Assumes CTA will expedite the SPR once received with vendor solution.
  - Although changes may occur by cost category, assumes no change in overall project expenditure authority is needed once the vendor's solution is known.
- For costing purposes only, assumes the project will be rolled out in five phases, but this could change after solutions-based vendor solution is selected.
- Phase 1
  - For the complete application
    - Validate requirements (including fiscal requirements)
    - Design database
- Phase 2
  - LP/LLC and miscellaneous entity filings
    - Includes online web filings, online records and certificate orders, workflow, fiscal, interfaces
    - Application design and development
    - Data cleanup
    - Data and image conversion and data entry
- Phase 3
  - Corporation
    - Includes online web filings, online records and certificate orders, workflow, fiscal, interfaces
    - Application design and development
    - Data cleanup
    - Data and image conversion

- Phase 4
  - Trademarks, special filings, advance health care directives, immigration consultants, successor-in-interest, domestic partners, VCFCF, substituted service of process
    - Includes online web filings, online records and certificate orders, workflow, fiscal, interfaces
    - Application design and development
    - Data cleanup
    - Data entry and conversion
- Phase 5
  - UCC
    - Includes online web filings, online records and certificate orders, workflow, fiscal, interfaces
    - Application design and development
    - Data and image conversion
- Allow for at least one year of additional software support consulting services after full implementation to allow ITD staff time to learn how to fully support the application and modify the code as needed.

**One-Time IT Project Costs**

- One-time project costs for staff include SOS subject matter experts and technical support staff from BPD, MSD and ITD, which includes a 38% average fringe benefits rate. New positions will be hired as described earlier and included at the yearly rates listed below:

**Figure 8-6: Position Costs**

Classification	Salary Range	FSR Funding/ Mid Range	Salary Savings	Standard Benefits	Less Salary Savings Plus Benefits Per Month	Total Per Year
Systems Software Specialist III (Supervisory)	\$6416 - \$8187	\$ 7,301.50	5%	38%	\$ 9,572.27	\$ 114,867
Systems Software Specialist II	\$5839 - \$7097	\$ 6,468.00	5%	38%	\$ 8,479.55	\$ 101,755
Systems Software Specialist I	\$5064 - \$6465	\$ 5,764.50	5%	38%	\$ 7,557.26	\$ 90,687
Associate Information Systems Analyst	\$4619 - \$6192	\$ 5,405.50	5%	38%	\$ 7,086.61	\$ 85,039
Senior Programmer	\$5571 - \$7465	\$ 6,518.00	5%	38%	\$ 8,545.10	\$ 102,541
Staff Programmer	\$5065 - \$6789	\$ 5,927.00	5%	38%	\$ 7,770.30	\$ 93,244

Source: <http://jobs.spb.ca.gov/wvpos/spbpay2rd.cfm> Last modified: 5/27/2010

- The solution vendor will be asked to provide all training in their proposed solution. Training will include SOS staff, government agencies, service companies, law firms and end users.
  
- Additional training for ITD staff members redirected from mainframe support.

### **Ongoing Costs**

- Ongoing Scanning, Indexing, Workflow Training Courses for BPD staff tailored by work area or classification will be absorbed as part of existing staff resources.
  
- UCC system costs for consulting services and state data center costs of \$1.8 million will be eliminated after UCC is replaced with the new system.

### **8.3 Alternative 1 – None**

No other viable alternatives will meet the SOS needs as discussed in Section 5.

## 8.4 Economic Analysis Summary

### ECONOMIC ANALYSIS SUMMARY

Date Prepared: January 2011, revised 3/02/11

All costs to be shown in whole (unrounded) dollars.

Department: Secretary of State  
Project: California Business Connect

	FY 2011/12		FY 2012/13		FY 2013/14		FY 2014/15		FY 2015/16		FY 2016/17		TOTAL	
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts
<b>EXISTING SYSTEM</b>														
Total IT Costs	7.5	2,704,240	7.5	2,704,240	7.5	2,704,240	7.5	2,704,240	7.5	2,704,240	7.5	2,704,240	45.0	16,225,440
Total Program Costs	235.6	20,007,000	235.6	20,007,000	235.6	20,007,000	235.6	20,007,000	235.6	20,007,000	235.6	20,007,000	1413.6	120,042,000
Total Existing System Costs	243.1	22,711,240	243.1	22,711,240	243.1	22,711,240	243.1	22,711,240	243.1	22,711,240	243.1	22,711,240	1458.6	136,267,440
<b>PROPOSED ALTERNATIVE</b>														
	<b>Application Development</b>													
Total Project Costs	13.6	2,100,933	16.5	3,588,942	20.5	5,358,112	21.5	5,454,151	21.5	5,454,151	13.5	1,772,744	107.1	23,729,033
Total Cont. Exist. Costs	229.5	21,770,599	226.6	21,548,990	222.6	21,139,140	209.6	20,402,038	185.6	19,094,592	181.6	15,325,984	1255.5	119,281,343
Total Alternative Costs	243.1	23,871,532	243.1	25,137,932	243.1	26,497,252	231.1	25,856,189	207.1	24,548,743	195.1	17,098,728	1362.6	143,010,376
<b>COST SAVINGS/AVOIDANCES</b>														
Increased Revenues	0.0	(1,160,292)	0.0	(2,426,692)	0.0	(3,786,012)	12.0	(3,144,949)	36.0	(1,837,503)	48.0	5,612,512	96.0	(6,742,936)
Net (Cost) or Benefit	0.0	(1,160,292)	0.0	(2,426,692)	0.0	(3,786,012)	12.0	(3,144,949)	36.0	(1,837,503)	48.0	5,612,512	96.0	(6,742,936)
Cum. Net (Cost) or Benefit	0.0	(1,160,292)	0.0	(3,586,984)	0.0	(7,372,996)	12.0	(10,517,945)	48.0	(12,355,448)	96.0	(6,742,936)		

The proposed project will produce a \$5.6 million annual benefit with a breakeven point after the second full year of implementation. Considering the SOS is requesting \$14.7 million, the return on investment is 2.6 years (\$14.7 million /\$5.6 million.)

The Economic Analysis Summary worksheet above shows the project having an annual ongoing benefit of \$5.6 million starting in FY 2016/17, after one-time project costs have been completed. If SOS is requesting an augmentation to its budget for project costs of \$14.7 million per the Project Funding Plan worksheet below, then the return on investment to SOS is just 2.6 years (\$14.7 million/\$5.6 million.)

The \$5.6 million takes into consideration an annual \$1.4 million in cost avoidance by not hiring additional staff for tedious, manual processes; the net reduction of \$2.6 million related to a reduction of 20% of authorized positions as a result of the efficiencies the technology will bring, absorbing the costs related to hiring 6 new IT positions and eliminating \$1.8 million in existing archaic IT infrastructure costs no longer needed once the data is migrated to the new system and replacing it with a new system that should be more cost efficient at an annual cost of \$216,000.

#### Net Benefit

+ \$1.4 million cost avoidance related to no longer needing additional staff to handle the manual processes  
+ 2.6 million related to 20% reduction in authorized positions,  
+ 1.8 million cost savings in the elimination of the old archaic IT infrastructure  
- .2 million new system's ongoing cost  
-----  
= \$5.6 million net benefit

## 8.5 Project Funding Plan

### PROJECT FUNDING PLAN

Department: Secretary of State  
Project: California Business Connect

All Costs to be in whole (unrounded) dollars

Prepared: January 2011, revised 3/02/11

	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	TOTALS							
	PYs	Amts	PYs	Amts	PYs	Amts	PYs	Amts						
<b>TOTAL PROJECT COSTS</b>	13.6	2,100,933	16.5	3,588,942	20.5	5,358,112	21.5	5,454,151	21.5	5,454,151	13.5	1,772,744	107.1	23,729,033
<b>RESOURCES TO BE REDIRECTED</b>														
Staff	13.6	1,221,617	16.5	1,456,226	20.5	1,918,076	21.5	2,016,115	21.5	2,016,115	13.5	1,772,744	107.1	10,400,893
Funds:														
Existing System	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0		0
Other Fund Sources		0		0		0		0		0		0		0
<b>TOTAL REDIRECTED RESOURCES</b>	13.6	1,221,617	16.5	1,456,226	20.5	1,918,076	21.5	2,016,115	21.5	2,016,115	13.5	1,772,744	107.1	10,400,893
<b>ADDITIONAL PROJECT FUNDING NEEDED</b>														
One-Time Project Costs	0.0	879,316	0.0	2,132,716	0.0	3,241,036	0.0	3,239,036	0.0	3,239,036	0.0	0	0.0	12,731,140
Continuing Project Costs	0.0	0	0.0	0	0.0	199,000	0.0	199,000	0.0	199,000	0.0	0	0.0	597,000
<b>TOTAL ADDITIONAL PROJECT FUNDS NEEDED BY FISCAL YEAR*</b>	0.0	879,316	0.0	2,132,716	0.0	3,440,036	0.0	3,438,036	0.0	3,438,036	0.0	0	0.0	13,328,140
<b>TOTAL PROJECT FUNDING</b>	13.6	2,100,933	16.5	3,588,942	20.5	5,358,112	21.5	5,454,151	21.5	5,454,151	13.5	1,772,744	107.1	23,729,033
Difference: Funding - Costs	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0
Total Estimated Cost Savings	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	4,213,732	0.0	4,213,732

FUNDING SOURCE	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16	FY 2016/17	TOTALS
	PYs	Amts	PYs	Amts	PYs	Amts	PYs
General Fund	0%	0	0%	0	0%	0	0%
Federal Fund	0%	0	0%	0	0%	0	0%
Special Fund**	49%	1,026,158	34%	1,223,230	30%	1,611,184	31%
Reimbursement	51%	1,074,775	66%	2,365,712	70%	3,746,928	69%
<b>TOTAL FUNDING</b>	100%	2,100,933	100%	3,588,942	100%	5,358,112	100%

\* In addition to this funding the SOS will need \$280,976 annually in FY 2011/12 through FY 2015/16 for student assistants and DGS fees to backfill BPD staff positions redirected to the project and will be included in the project funding request.

\*\*Type: Special Fund = 0228 Secretary of State's Business Fees Fund

This project does not fall into the category of a delegated project since one-time costs and redirected resources exceed our delegation of \$500,000 in accordance with CTA Guidelines. One-time costs are: \$23,132,033



## APPENDICES

## Appendix 1. 2010 Coming Attractions Austin - IACA Conference



# Coming Attractions

Preview of the 2010 IACA Conference

## *Taking Your Administration to a Great State*

The 2010 IACA Annual Conference will be held Sunday, May 23, 2010, through Thursday, May 27, 2010, at the Hyatt Regency Austin in Austin, Texas, the "Live Music Capital of the World". Planning information regarding the 2010 IACA Conference, including agenda information and hotel details, will be available early in 2010 at: [Conference Details at www.iaca.org](http://www.iaca.org).

### **Joint Section Meetings:**

**Government 2.0: What Does it Mean for IACA and its Members?** – Our Information Technology Section shall conduct a Government 2.0 presentation, which explains how government entities can utilize new technologies. We will review the types of technologies available as well as the advantages and disadvantages of the technologies and how a filing office may use them. Has the industry established a policy, or best practice, regarding 2.0 technologies? How will these developments impact IACA as an organization? How will it impact my office?

**Inter-Cultural Communication (a.k.a. "How Do I Talk With My IT Staff?")** – Have you ever attended that meeting between the filing office and the IT support staff and felt as though you were speaking in multiple languages? We plan to discuss the difficulties of communication and the ways in which we can "get the message across" with ease. We need to speak a common language, reduce the use of technical jargon and understand the viewpoints of all those involved in the conversations.

**Data Sharing, Data Mining, Privacy Concerns: How Do They Impact Us?** – At one time or another, we have all been asked to provide large amounts of information from within our filing system database. How do we accomplish these tasks? Is there a better way to provide real-time access to the information? And what concerns should we have; performance, data integrity, security? We will discuss these topics, as well as provide some insight to how jurisdictions are addressing these items.

**International Relations Section:** Julian Lamb, Jersey Channel Islands, Chair  
Justin Hygate, New Zealand, Vice-Chair

**Encore!** – IACA’s International Relations Section plans to integrate section members into the session meetings of the Business Organization Section, Information Technology Section and the Secured Transaction Section. This practice was well received last year, so we plan to repeat it with greater integration this year. Our International members shall be participating in our section panel discussions throughout the conference. IACA welcomes you as we take your administration to a great state!

**Business Organization Section:** Sarah Steinbeck, Colorado, Chair  
Cheri Myers, North Carolina, Vice-Chair  
Mandy Harlan, Louisiana, Recording Secretary

**Registering Foreign Entities** – Our jurisdictions vary greatly on the requirements for registering foreign entities. We will discuss how foreign registrations are handled internationally and across the U.S. and Canada. What actions must be taken to register a foreign entity? What is the value of a certificate of good standing or a certificate of existence? We will also discuss whether a standard can be created for recognizing foreign entities.

**Americans with Disability Act Compliance** – Are your forms and systems ADA compliant? What steps do you need to take to become compliant? Does your website meet ADA standards? These questions and more will be addressed during this session.

**Day-to-Day Filing Issues and BOS List Serve Discussions** – Back by popular demand, BOS will dedicate one session to an open forum where our members can discuss new projects or practices in their offices, and draw upon the wisdom and experience of fellow members for problem solving ideas. Additionally, we’ll catalog and review the discussions that developed on the BOS list serve over the past year. Please be ready to share your problems, successes, unique experiences and perspectives for the benefit of fellow members!

**Low Profit Limited Liability Companies (L3Cs), For Benefit Corporations and Other Developments in Entity Law** – L3Cs are spreading across the country and have generated many questions to the list serve. This session will provide information on L3Cs and the experience of jurisdictions that permit their formation. We will also learn about for benefit corporations and developments from the Uniform Law Commission and the ABA.

**Update on Senate Bill 569, Incorporation Transparency and Law Enforcement Assistance Act** – Senate Bill 569 and previous versions of the bill have been a looming threat to filing offices for the last few years. The potential federalization of the entity formation process could have a significant impact on our offices. We will discuss the current status of the bill, potential amendments to the bill, and how the bill would affect our filing duties.

**Transitioning to Online Filing** – A panel will discuss how to move from a paper-based filing world into an electronic world. The discussion will cover the technical aspects (e.g., how to develop requirements for electronic filing) as well as the human aspects (e.g., transitioning your workforce to an electronic world and encouraging user adoption of electronic filing) of the transition.

**Secured Transactions Section: Kelly Kopyt, Massachusetts, Chair**

**Update on NCCUSL Article 9 Drafting; Where do the International Members' Personal Property Registries Stand?** –The Joint Review Committee plans to finalize its drafting revisions to Article 9, which will affect the UCC statutory forms as well as our filing office practices regarding transmitting utilities, correction statements, the public record definition and proper individual debtor names. When will these changes affect the filing offices? How do these changes and our Article 9 statute compare to the statutes in other countries? We plan to hear from some of our International Members regarding the legislative process in their jurisdictions. What can we learn from each other?

**What Are My Jurisdiction's Administrative Rules? Let's Discuss Noise Words and Search Logic!** – Let's talk about a couple of our favorite topics: noise words and search logic! Has your jurisdiction adopted a version of IACA's Model Administrative Rules? What noise words are you stripping from a search string and what is the search logic your filing office is applying? We ask that everyone do a bit of homework, bring their notes and welcome lots of participation! We would like to move towards greater uniformity among our members and perhaps even refine the details of search logic and noise words in our Administrative Rules.

**Electronic UCC Filings: How Should it be Implemented?** – How many jurisdictions are accepting filings electronically? How many systems are out there? What is the general infrastructure of each of those systems and are the electronic filing processes in line with the processes used for paper filings? Should we consider developing an implementation guide for electronic filings?

**How Do You Handle the Bogus Filer? What Are the Filing Officer's Responsibilities?** - The bogus filing issues seem to be cropping up again and a number of states are adopting legislation that impacts the responsibilities of the filing officers. Let's analyze the breadth of this issue: how big of a concern is this for our members? A panel of our jurisdictional members shall give us an update on how they handle bogus filers in their states.

**Jurisdiction Guidelines for Accepting a UCC Record Presented for Filing Chart (Filing Chart)** – The success and importance of the filing chart has become increasingly significant to STS, its filers and searchers! We need jurisdictions to verify their responses each year, and we continue to encourage consistency in filing procedures throughout our member jurisdictions. This interactive session will focus discussion on current events and continue to talk about the actions with the greatest variation among our membership. Take an opportunity to take a look at the filing chart and its corresponding examples on the STS website at [www.iaca.org](http://www.iaca.org). The success of our filing chart is dependent upon membership participation!

**Information Technology Section: Brick Morff, Missouri, Chair  
Mark Van Alstyne, Montana, First Vice-Chair  
Cecil Davis, Arkansas, Second Vice-Chair  
Diane Silver, Texas, Immediate Past Chair**

**Mobile Access: Providing Government Services in a Mobile World** – As mobile technologies advance, people rely more on their mobile devices to conduct everyday business and interact with government entities. This session will focus on what a jurisdiction can do to meet the demands of the mobile user. It will provide ideas of how to make applications mobile and how this will benefit the organization.

*Datacenter Consolidation (The Pains and Gains)* - This session will be an open discussion about the advantages and pain points when trying to consolidate your IT operations. Whether you have decided to consolidate, or just thinking about it, knowing some of the challenges ahead will help you to avoid costly mistakes. A few jurisdictions will share their real world experiences and help answer questions that you may have. We will also touch on how Virtualization Technology impacts the consolidation efforts.

*Project Management: Working within the Government Model* - This session will help Project Managers understand how to plan, cost, and justify IT projects within the government procurement model. The session will have examples of successes and failures experienced by jurisdictions. It will provide information and guidelines that could be used within your organization. This session provides a great way to hear how other jurisdictions approach funding / justification needs for all kinds of IT projects.

*Information Technology Round Table Discussion* – This has become an annual ITS session that allows for open discussion about what each jurisdiction is doing to support their business unit. It includes discussion topics such as infrastructure, database, and programming accomplishments by the IT organization. One topic we will touch on this year is “How we can provide more services online and what techniques are being used?” This session provides attendees with a great opportunity to exchange ideas on any topic.

*Future of the IT Workforce* - A brief presentation/discussion about the challenges we face as IT leaders pertaining to the future of the IT workforce. As the “Baby Boomer” generation starts to retire, we need a strategy to fill the void, while continuing to move forward. How do we successfully transfer the years of institutional knowledge? How do we recruit for the desired skill sets?

## Appendix 2. Business Entities, UCC, Special Filings Survey

California Secretary of State

**Business Entities, UCC, Special Filings Survey**

Our research shows many states provide the public with web tools to conduct data searches, fill forms online for printed submissions, and/or file online. The California Secretary of State's office is seeking more information about your backend workflow processes.

"Please answer the following questions and respond by June 4, 2010; Thanks for your help!"

Business Entities

1. What is the name of your organization?

Organization: \_\_\_\_\_

State: \_\_\_\_\_

2. Does your back office have a workflow system to automatically receive and route filings submitted by the public?

Yes, for all business entity, UCC and other filings

Yes, for some business entity, UCC and other filings

No. The business entity, UCC and other filings are currently submitted by paper and routed as paper to staff for processing.

Other. Please explain: \_\_\_\_\_  
\_\_\_\_\_

3a. What systems do you use to store your business entity, UCC and special filing electronic records?

Application Software \_\_\_\_\_

Vendor name \_\_\_\_\_

Database Software \_\_\_\_\_

Hardware \_\_\_\_\_

3b. Did you procure the system(s) as Commercial Off the Shelf (COTS), Modified Off the Shelf (MOTS) or customized application development?

\_\_\_\_\_

4a. How do you store your official records received by paper? (Check all that apply)

We image and store to nonalternable optical media

The paper record is then filed/destroyed/converted to microfilm (circle one)



We image and store to electronic magnetic storage

The paper record is then filed/destroyed/converted to microfilm (circle one)

We store the paper

Other. Please explain: \_\_\_\_\_

\_\_\_\_\_

5. If you offer the public to query your database, how is the database populated?  
(Check all that apply & compete percentages if known)

Staff manually keys the data into the database. We estimate \_\_\_\_\_ percent of our filings are indexed in this manner

Most of data is captured automatically from the online filings

Other. Please explain: \_\_\_\_\_

\_\_\_\_\_

6. How many IT staff support your business entities, UCC and Special Filings program?

7. Do you offer electronic filing to your customers? If yes, do you have the requirements you used in the implementation of electronic filing?

8. If you offer electronic filing, how did your design account for making the filing acceptable in a court of law?

9. Are you aware of any standards for electronic filing that ensure the filing will be accepted in a court of law?

10. If we have other questions about how your office processes its business entity filings, who would we contact?

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Telephone: \_\_\_\_\_

E-mail: \_\_\_\_\_

\_\_\_\_\_

### Appendix 3. BPD Increased Processing Times



**DEBRA BOWEN** | SECRETARY OF STATE | STATE OF CALIFORNIA  
1500 11th Street, 6th Floor | Sacramento, CA 95814 | Tel (916) 653-7244 | Fax (916) 653-4620 | [www.sos.ca.gov](http://www.sos.ca.gov)

## Increased Wait Times for Business Document and Notary Processing

The time to process customer filings and to respond to records requests at the Secretary of State's office has increased – an unfortunate result of cutbacks that reduced the agency's budget by 25 percent, or \$8.9 million, over the past two years.

The state budget cuts have meant difficult changes including:

- Closing offices in San Francisco, San Diego and Fresno, meaning more documents are filed in the remaining Sacramento and Los Angeles offices.
- Eliminating paid overtime for staff members and the use of temporary staffing to help with the workload especially during heavy filing periods.

Everyone at the Secretary of State's office certainly understands and shares the frustration caused by the longer wait times. We continually strive to provide more efficient service to the public by expanding automation, similar to our online Uniform Commercial Code services (known as UCC Connect). Our most recent automation advance has enabled our office to fulfill in-person requests for corporate certificates of status at the Sacramento office in less than one business day.

The Secretary of State's goal is to offer more of these types of services in the future; however, automating more services has proven to be equally challenging in these difficult budgetary times. Even though automating will save money for both businesses and the state in the long run, there is little state funding available to invest in the computers and technology necessary to meet such a goal soon.

The Secretary of State's office receives hundreds of business filing requests each day and we treat every request on a first-come, first-served basis based on the level of service requested. For current estimates of mail processing times, go to [www.sos.ca.gov/business/be/mail-processing-times.htm](http://www.sos.ca.gov/business/be/mail-processing-times.htm). Updated regularly, this web page indicates what day's requests are currently being handled and the estimated turnaround time for mail submissions. How quickly we move from day to day depends on the number of filings received.

Business Entity document filing requests can be expedited for an additional cost. More information on expedited services is at [www.sos.ca.gov/business/be/preclearance-expedited-services.htm](http://www.sos.ca.gov/business/be/preclearance-expedited-services.htm).

Please be assured that everyone on staff is working hard to process all requests as quickly as possible. We thank you for your patience during this very difficult budgetary period and we look forward to serving you on the web, by mail, or in person in our Sacramento and Los Angeles offices.

## Appendix 4. San Diego Office Closure



**DEBRA BOWEN** | SECRETARY OF STATE | STATE OF CALIFORNIA  
1500 11th Street, 6th Floor | Sacramento, CA 95814 | Tel (916) 653-7244 | Fax (916) 653-4620 | [www.sos.ca.gov](http://www.sos.ca.gov)

## San Diego Regional Office Closed April 2, 2010

As you are aware, California's budget problems have required every public agency to reduce spending and look for more efficient ways of operating. One way the Secretary of State's office can do this is to consolidate its processes in a fashion that has the least amount of impact on the general public. After careful review of both the Secretary of State's office and community needs, the San Diego office closed to the public on April 2, 2010.

Please know this decision was not reached quickly or easily. We recognize the decision to close the San Diego office will have an impact on Californians in the San Diego area and apologize for any inconvenience.

Documents can continue to be mailed to Sacramento or delivered in person at 1500 11th Street, Sacramento, CA 95814. Our Los Angeles office, located at 300 South Spring Street, will continue to provide services that were previously offered at our San Diego location. To find a complete list of available services, please visit us online at [www.sos.ca.gov](http://www.sos.ca.gov).

We thank you for your patience as we work through these difficult times. We look forward to serving you on the web, by mail, or in person in our Sacramento or Los Angeles offices.

## Appendix 5. Sacramento Bee Letter of Complaint – SOS Filing Delay

June 23, 2010

### California bad for business

Currently I'm an independent contractor in California. To retain one of my clients, I have been asked to incorporate. I mailed paperwork to Sacramento April 15, the day I learned I had to do this. I have gotten no response from the secretary of state.

Every day I get on their website as it says increased processing times and every day the number changes. It has gone from 41 days to 50 days for a request submitted in *April*.

These days have changed every day. Here is an opportunity for the state to make some money and for me to do business in California. I am losing business because I can't do anything until I have this. Even better, I mailed my quarterly taxes and they cashed that check in less than a week.

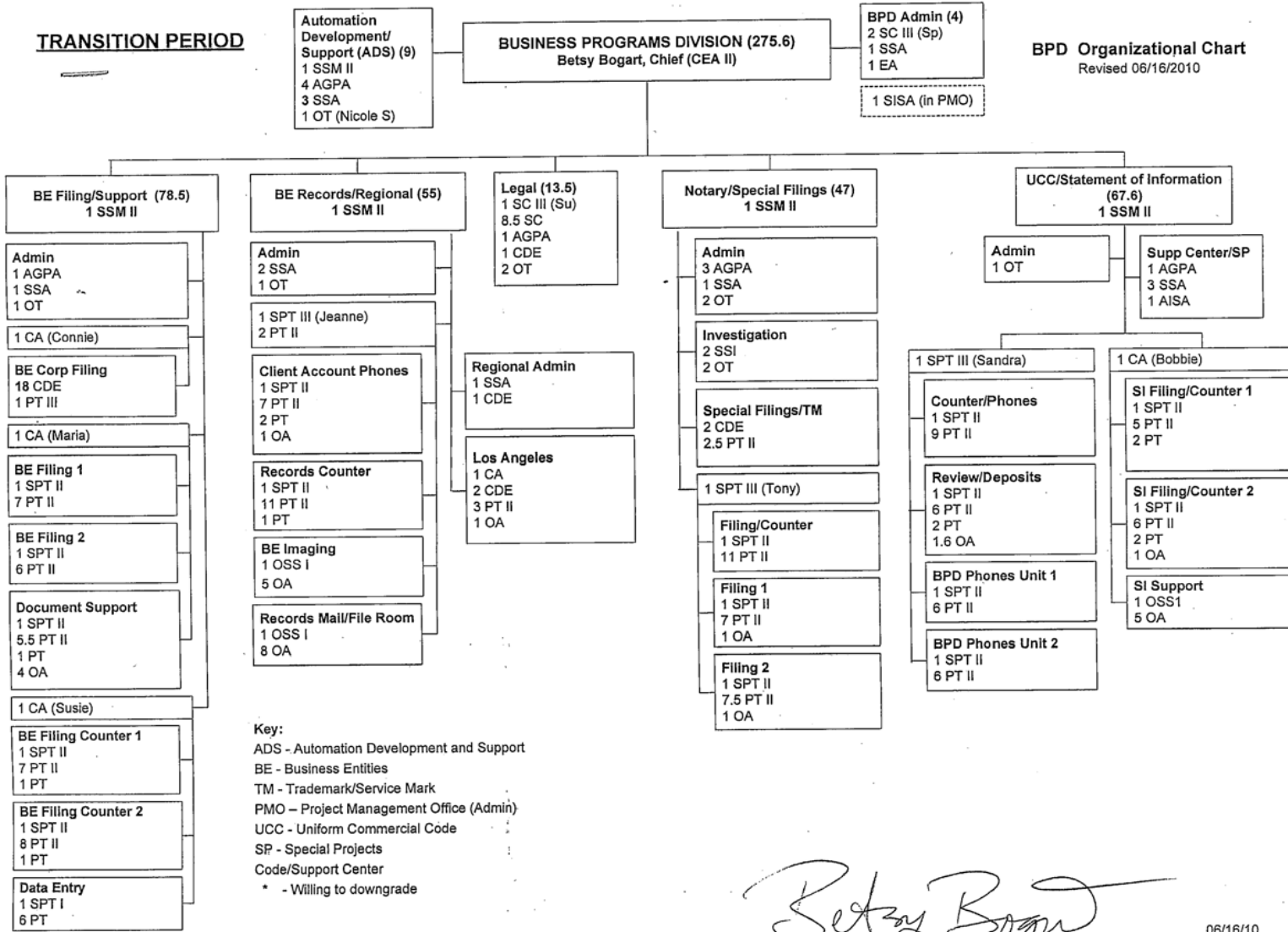
All this state is doing for me is costing me money, when I am offering to give them money.

Very disappointing. Don't cry to me how poor you are when I am trying to give you money.

- Christine Overstreet, Huntington Beach

(Source: *California bad for business*, Sacramento Bee (June 23, 2010), Opinion, Letters, p. A14. and at <http://www.sacbee.com/2010/06/23/2841605/letters-to-the-editor.html> )

Appendix 6. Business Programs Division Organization Chart



*Betsy Bogart*  
 Betsy Bogart, Chief

06/16/10  
 Date