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*Modernization Program of the Tax Administration
of the State of Sao Paulo – Strategic Planning and
Project Management*

*Joao Carlos Csillag
Advisor: Prof. James Kee*

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INTRODUCTION

This paper is focused on the role of strategic planning and project management in PROMOCAT – Programa de Modernizacao da CAT (Fiscal Modernization Program) of the Secretariat of Finance of the State of São Paulo.

This Program has various paths, identified with the macro-functions of the tax administration: the collection, the taxation, the administrative disputes, information, management and control, the latter surpassing all previous ones.

To build a new model of tax administration, a work plan for CAT - Coordenacao da Administracao Tributaria (Fiscal Administration Division) was elaborated, divided according to the macro-functions that determined its place in the organization of the Secretariat.

This work plan had a similar profile to that of PROMOCAT's. Therefore, the definition of this Program's projects came to support the work plan outlined for the various areas.

A project management model was developed and implemented for the implantation of efficient processes for PROMOCAT's projects monitoring and follow up.

This paper is thus divided in four parts:

Chapter One presents a brief description of the Secretariat of Finance of the State of São Paulo's situation, prior to the Fiscal Modernization Program (PROMOCAT), and the urge for modernization.

In the second chapter, the Modernization Program is presented, with its origins, the creation of an organizational structure to support the Program, the diagnosis of problems and the definition of projects.

The third part deals with Project Management, the detailing of the adopted methodology, the creation of project teams and the monitoring of projects.

Chapter Four explores the organizational restructuring stimulated by the Modernization Program, with the creation of the Information Department, as well as the changes that occurred in the management process.

Finally, the conclusion presents brief commentaries on the impact of the Modernization Program in the Secretariat of Finance of the State of São Paulo and the bright perspectives that lay ahead for the State of São Paulo and for Brazil, should this path be followed by other governmental institutions.

1. Overview

1.1. Structure of the Tax Administration Division

The Coordenação da Administração Tributária – CAT (Tax Administration Division) encompasses centralized and decentralized units. The centralized units have normative, executive, coordination and planning competences, while the decentralized have monitoring and executive competences, on regional and local levels.

The central units include the following Departments: Executive (auditing, collecting and 1st instance administrative disputes), Planning, Active Debt, Tax Consulting, Information, Fiscal Representation, Administration and Taxes and Fees Court.

The decentralized units are constituted by regional and local bodies. Regional activities are under the competence of 18 Regional Delegates, subordinate to the Executive Department. Each Delegate's Office monitors the geographical area under its jurisdiction. Local units encompass 170 Tax Offices.

1.2. Previous Situation of the Tax Administration of the State of São Paulo

The main difficulties experienced by CAT in the course of its attributions were: a) low utilization of managerial instruments; b) lack of an integrated vision of the organizational processes; c) capability deficiency in all levels of the support careers; d) lack of agile and trusted data for the effective monitoring of the tax credit; e) lack of computerization and of fiscal action; f) difficulty in evaluating the collecting's potential and in fighting fiscal evasion; g) the technological delay as a consequence of low investment in information systems, and h) infrastructure precariousness.

The decision process was, basically, centralized, not supported by integrated organizational plans and directives. The decentralized units were subordinate to the Executive Department, making it difficult for the integration and technical coordination by other functional areas.

Basic activities of the tax administration, related to the tax credit monitoring, the administrative disputes and the taxpayers' assistance, presented themselves diluted and without an integrated vision, that would enable the definition of objectives, responsibilities, performance standards and quality control. The relationship with the external environment, mainly concerning the assistance to the taxpayer, was not the focus of its working model,

causing an alternation between concentration and idleness, among other difficulties.

There was no systematic utilization of information technology supporting the processes. The availability of equipments - terminals or work stations -, mainly in the assistance and auditing areas, for fast and easy access to the centralized database was extremely precarious. There were no applications able to support the routines and procedures.

1.3. A Call for Modernization

The technology that appeared in the 1980's, with PC's bringing along simpler, but equally powerful program languages, friendlier graphical interfaces, the client-server platform and the 1990's new analytical systems, made CAT look to alternatives for the information technology area. The users, the tax auditors, started to demand information for their work. Then, a demand for new analytical systems arose, that is, intelligent systems that would produce effective information for the CAT "business". These systems naturally induced a direct and verticalized control of all steps of the development and operational processes by the users themselves.

There was a consensus in the fiscal information systems area, that information was not just part of the business, but was business itself.

Viewed this way, the information system as a whole should not be part of an outsourcing process, but there were functions within the information system that should be outsourced.

This new reality compelled necessarily to a change in the CAT's systems management model, starting with the PROMOCAT's projects implementation.

2. PROMOCAT – Programa de Modernização da CAT (Modernization Program of the Fiscal Administration Division)

2.1. Overview

For the efficient and effective accomplishment of CAT's mission, which is to collect, tax and audit, the current Administration established a new vision. A vision of modernity, that predicted the rise in the levels of CAT's results, adequating them to the scenario we live in today. It includes market globalization, production systems with levels previously unimagined, taxpayers' intensive computerization, the predominant spirit of partnership between clients and suppliers and an increasing level of demand from public

services' consumers, that is, the population of the State of São Paulo.

Starting with this vision, PROMOCAT was created, having four pillars to support the whole modernization program: organizational restructuring, professional training, computerization and infrastructure adequation, that were laid down in a study, according to the methodology developed together with IDB – Inter - American Development Bank.

Strategically, it was decided to start the program, by executing nineteen short-term projects, in January 1996, innovating the execution method in CAT, by putting together project teams, responsible for the development and implementation of projects.

Simultaneous with the development of these projects, there were long-term projects defining the role of PROMOCAT in the four support pillars of the Tax Administration.

The program had a budget forecast of US\$ 78.8 million, with its source equally split between the IDB and the State of São Paulo's Treasury.

2.2. Objectives

The main objective of PROMOCAT is to modernize the Secretariat of Finance of the State of São Paulo. This should be achieved through the valuation and permanent training of its human resources, the revision and computerization of its processes, the organizational restructuring and adequation of its infrastructure, the improvement of the fiscal-taxpayer relationship, achievement of gains in quality and productivity (with the consequent cost reduction, both to the Fiscal Administration and to the taxpayers), and, of course, the increase of collecting taxes.

2.3. Benefits

With the availability of the PROMOCAT products, which would be sourced through the Internet, roughly 90% of the one thousand state's tax auditors, who currently work in the 170 Tax Offices throughout the state directly providing services to the taxpayers, would be relocated to their real assignment of combating tax evasion.

For the taxpayer, a brand new phase would begin in his/her relationship with the public service. The new products should banish paperwork and long lines, provide more efficient

consultation and assistance, besides putting the taxpayer in direct contact with the Secretariat of Finance, through the Internet.

2.4. Auditing

An auditing management model would be implemented directed to results, supported by the intensive use of information technology based in scientific methodologies, making available to the Fiscal Administration equivalent conditions to those found in the private sector, resulting in expressive gains in quality in the fiscal works, professional valuation and institutional credibility.

2.5. Information Technology - IT

The role of Information Technology in the processes would be redefined, utilizing it as an operational tool, going after the improvement of quality and management by results.

IT's management should be institutionalized, in harmony with the global directives of CAT, as the main instrument of dissemination of information and achievement of goals and objectives.

2.6. Components

The diagnosis produced by the GT – Grupo de Trabalho PROMOCAT (PROMOCAT Work Group), identified 128 problem - situations that interfered in the running of CAT and in the achievement of good results in the tax revenues. Twenty of them were attributed to the basic administrative macro-functions: planning, direction, organization and monitoring. The remaining 108 were spread throughout the organizational diagnosis and the following functions: collecting, auditing, taxation, administrative disputes, registration file and taxpayer assistance, debt information, economic-fiscal information and the production of information.

2.7. Project's Execution

PROMOCAT, started in November, 1995 and is forecasted to end in December, 2000. It is being developed on a management-by-project basis. With this purpose, and meaning to involve all of CAT's body with the responsibility for the development and implementation of each project, the following structure was put together:

- A Work Group (GT-PROMOCAT), with the responsibility of maintaining relations with the IDB, elaborate studies, present

proposals and organize and manage the implementation of PROMOCAT, relates itself directly with the departments and project leaders. It keeps periodic meetings with the Tax Administration Division head and with the directors, to inform them of the projects' development and decision making, with the objective of implementing the projects according to the forecasted work plan;

- The elected departments of CAT, FAZESP (the Secretariat's Training School) and the GT-PROMOCAT are the departments responsible for promoting the development and implementation of each project under its responsibility in due time.
- Project leaders, assigned by the elected departments, one for each project, answer for their respective projects to the GT-PROMOCAT and work in an exclusive dedication regime. The leader has autonomy to attend to the objective of developing and implementing the project under his responsibility.

The project leader has to: 1) elaborate a detailed work plan of the activities to be developed in his project, obeying the forecasted dates; 2) manage the execution of the planned activities, dimensioning the necessary resources, to attend to the approved work plan; 3) manage the relationship with PRODESP - State of São Paulo's Computerized Public Services, which supplies services to the Government of the State of São Paulo and its agencies; 4) anticipate difficulties for the

maintenance of dates, taking the pertinent measures with the elected departments or with the GT-PROMOCAT, guaranteeing that the work plan is carried out and 5) promote the integration under his/her responsibility with the other projects. The work plan also contemplates periodic meetings with the GT-PROMOCAT;

- There are still other participants in the Program, as the regional delegates, the PROMOCAT support nuclei and the PRODESP project teams.

The projects' monitoring is conducted, based in work plans and goals, keeping an eye on the forecasted results. The periodic review of results with the projects' teams and their leaders are among the activities conducted by GT-PROMOCAT.

2.8. Redesigning PROMOCAT

2.8.1. General Context

In 1998, after a necessary phase of conception of the formal structure, constitution of contracts and agreements, various legal approvals, and in a way, the first conception of the program, it was perceived that the whole complex of ideas and concepts needed a concrete translation, so that all

functional areas of CAT could work with a clear and integrated modernization vision.

Once this was established, the redesign of PROMOCAT was born, reflecting in the first moment the need of a much more efficient management for the implementation of all forecasted activities. The redesign's greater objective, however, was to introduce a new approach to programs of an organizational change nature, basically the case of PROMOCAT. This approach means translating all concepts and ideas into products. The discussion over products reduces the potential risk that the unanimity of purposes and objectives obstruct the inevitable conflict of positions and interests inside a complex organization as a tax administration. As products are discussed, these positions are disseminated, thus helping people involved in the project to reach a common opinion and eliminate frictions.

In a superficial analysis of the last thirty years in the public service in Brazil, there are three facts:

- The "development model", adopted mainly at the end of the 1960s, directed the finances and the public organizations, in a general way, to the construction of a huge infrastructure, non-existent in the semi - agricultural country up to that date.

- Independent of the analysis or discussion over the results reached by this model, it seems obvious that the expenditures in the construction of this infrastructure didn't have similarities in the investments on the direct administration machine.
- The tax administrations didn't escape this lack of investment. Worst, the abrupt growth of the national economy, a consequence of the development model adopted, provoked a greater distance between the fiscal machine and the economic agents. This distance provoked a disastrous situation: the surge of an immense and untouchable bureaucratic castle in the tax administrations, resulting from the attempt of formally controlling the fiscal - economic taxpayers' life.

This analysis has much to do with the object of this work, in the way of presenting the redesign of the PROMOCAT – Modernization Program of CAT.

The weight of hierarchy and bureaucracy over tax administrations generated, as a necessary consequence, the departmentalization of these organizations' functions. There are those who take care of tax auditing, those who take care of collecting, legislation, charge, and so on. This very fragmented vision, though, in all departments, induced them in the last ten years to mind the computerization processes.

Finally, there was a common objective, though the actions were totally disconnected.

This structure, in a way, reflected itself in the Modernization Program of CAT. Under Components' Matrices, projects with common nuclei were split in various phases. However, in all matrices there were systems predicted to be developed.

Besides this more internal analysis, we must reckon that the influence of the rapid succession of technologies has caused an unusual situation in the whole world. It's impossible to conceive that such a program doesn't undergo a revision after two years. At least to assimilate new technologies or, mainly, to absorb the result of the appearance of these new technologies in organizations in general.

After a halt of thirty years in investments, it is normal for the Secretariat of Finance of the State of São Paulo to recover its control capability through systems development and the automation of processes.

The Computer Science era has already ended and now, in the knowledge era, public servants will have to help their organizations make a giant leap, surpassing the existing abyss with society, increasingly faster nowadays. This will only be achieved with an intense superexposure and a restless partition of the generated knowledge. It won't be the technological apparatus that will process the modernization of

the tax administrations; it will be their will in horizontalizing knowledge and breaking the weight of hierarchies and bureaucracy that will enable the survival of the tax administrations in this fast global context.

This is the reality which PROMOCAT has to assimilate and its projects will have to reflect, starting with this redesign.

2.8.2. Work Directives of PROMOCAT – Execution Phase

A new element, though expected, arose in 1998, adding new work directives to the program, and it should remain so till the end of PROMOCAT.

After two years, these directives were the answers to the Program's need to make effective all the conception and planning complex, changing it into concrete actions of implantation and, finally, concluding PROMOCAT in the next two years.

It was not sheer coincidence that the Secretariat's High Administration, as well as the State's Coordination Unit – which controls the running of all IDB-financed projects in the Secretariat of Finance of the State of São Paulo - demanded an execution agenda for the year of 1998. These two demands meant that the conception and planning phases had to give way to the execution phase.

This executive phase demanded a profile change in PROMOCAT and pressed for a redesign of the original program.

In other words, the new work directives below presented were all linked to a heavy investment in management. Without a rigorous and qualified management by the utilization of adequate tools and specific knowledge, the achievement of the proposed goals would not be possible.

The new work directives that intended to add value to the management of PROMOCAT, are:

- Replacement of the Matricial Conception

Although this conception would be kept for the knowledge systematization of PROMOCAT, the matricial conception of the original program should not be applied in this executive phase. In the PROMOCAT redesign, all of the project's logical nuclei, distributed in the various phases of the various original matrices of the program, were assembled. This meant that the original 129 phases were transformed in 34 projects. This added value to the management as the original contents were preserved and the running of the Program's Coordination was optimized.

- Adoption of the Total Quality Management

The TQM is a fundamental tool, that helps in the establishing of goals, a basic condition to management, and mainly in the

standardization of procedures. In the PROMOCAT's redesign, the very methodology of directives management was adopted, fixing the basic directives and the general objectives of the Program's Coordination. Hence, applying the concepts and techniques of planning and control, each project leader would be able to unfold these general objectives in specific goals, that is, would be trained to build a plan of action so that his project could be concluded within the forecasted deadline and cost. Standardized and assembled, these plans of action would enable CAT to follow the execution of the projects and evaluate the individual forecasts against the program's global forecast.

- Assembly of a Team with an Executive Profile

Having in sight the Management by Directives, and attending to the executive profile of PROMOCAT after 1998, the need for the Program's Coordination to invest in the assembly of a team with managerial knowledge arose to assure the technical knowledge in the projects teams. In other words, the Coordination of the Work Group – PROMOCAT must be capable of transferring managerial knowledge to the leaders and their respective teams, helping them with the development of their projects. Thus were created the Contracts and Biddings Area, the Communications Area, the Projects Management Support Area, the Constructions Area

and the Projects Control Area. The interaction of these areas of the PROMOCAT's Coordination with the projects' teams was defined in a Standard Operational Procedure delivered to the respective leaders.

Thus, these are the outlined work directives of PROMOCAT in this executive phase. In short, to invest in management, be it on the rationalization of the original program, be it on the adoption of tools connected to the total quality management, be it on the dissemination of managerial knowledge in the Program's Coordination.

2.8.3. Objectives of the Redesign

The major objective of the redesign was the recovery of the managerial capability in pre-formatting the 34 projects which would constitute the PROMOCAT. It became necessary to define rules for putting on the same pattern the work and capability of the respective teams.

However, other objectives fundamental to the achievement of general objectives for each project, were followed during the redesign:

- Adequating to the New Technologies

The original program was conceived in the beginning of 1996. In the next two years, new technologies came up, or at least became more visible on the marketable side. The Internet may be a clear example of this reality. In other words, the skyrocketing expansion of its utilization and the new communication possibilities developed through the Internet, made it clear that the client-server platform, basic in many original proposals, needed a new thought. But this example is not exhaustive. A program with PROMOCAT's magnitude, forecasted for a four-year period, cannot be immutable from the technological point, considering the fast paced evolution in this end of the century.

- Incorporating the Knowledge Era's Effects

PROMOCAT now reflects, after being redesigned, the effects that the so called Knowledge Era has caused in organizations. The Computer Science Era ended about ten years ago teaching all organizations, that the mere installation of a technological machine, without addressing the cultural barrier question of the bureaucratic entanglements and of the hierarchical structure that still exists, will not guarantee survival.

This new era, which has provoked the rise of more virtual organizations, which are less bureaucratic and hierarchical,

demands the use and the hectic partition of the internal knowledge produced.

Only the more flexible and speedy organizations – which include the state owned ones – capable of transferring the knowledge to its internal and external users instantaneously will survive, leveraging the individual knowledge. It is not enough that systems are “intelligent”. The organization must also be so. In the specific case of the Tax Administration, a greater number of taxpayers with access to the generated internal knowledge will lead to less conflict in the future. A greater number of tax auditors with online access, through the Intranet, to the organization’s “intelligence” and “will”, and with the means to help build this “intelligence” and “will”, will increase the organization’s chances to survive as a solid institution.

The incorporation of the effects of the Knowledge Era into the general objectives of each project represents the entrance of the Tax Administration into the current hyperspeedy and super-exposed society.

- The Importance of Information

The first two objectives of PROMOCAT’s redesign are linked to technology and information. It is not sheer coincidence that since the original version of PROMOCAT, the management in the Information Technology area has been seen as a success

factor in the Modernization of the Tax Administration, because information is the basic input and the technologies help in the gathering, managing and availability of this information, both to the internal and to the external public.

These various projects' cannot be implemented in strategic areas without centralized management of the Information Technology - one of the Programs' projects. In the original version, under all matrices (business areas) there were systems development's targets.

The redesign makes it clear that the centralized management of the Information Technology does not assure the success of the information management. Thus, the general objectives, applied to the various projects, demand specification and monitoring of the systems' development by the projects' respective leaders. It is the business area's responsibility to define what is desired. The Information Technology's management area analyzes and discusses the technological alternatives and also executes (develops or contracts) what is specified, since the systems' standardization and interoperability are guaranteed.

This design allows for the creation of the proper environment for the projects' integration and the logic managing of the Program.

2.8.4. Internal Work Dynamics – Work Proposal for PROMOCAT in its Executive Phase

From the above presented redesign, 34 projects surfaced clear and defined, according to their directives and general objectives assigned to each of them. The recovery of the managerial capability of PROMOCAT meant that the first phase of the Program had been achieved.

The second phase basically consisted of the elaboration of the plans of action for each project. In these plans specific goals were defined, including the implementation steps, deadlines, costs and responsible persons.

The expected results of the making of these plans of action were in the creation of a budget forecast already aligned with the implantation needs of each project, the establishment of an accurate index and the addressing of the outlined targets as the improvement of the organizational performance caused by the respective implementations.

Therefore, PROMOCAT will have a clearer view of how much and when it will spend and when and how its projects will be materialized. This is fundamental for eventual renegotiations with the IDB, as to the approved budget and for the generation of monitoring reports, for the Secretariat's High

Administration and for the UCE (State Coordination Unit) / UCP (Federal Coordination Unit) / IDB.

However, the effort to achieve this second phase is not the least bit trivial. The main difficulty in this job is to form and capacitate leaders to exercise the management of projects.

PROMOCAT showed in its first two years, that the technical knowledge level in the Secretariat is much higher than the managerial knowledge level for a program of this magnitude. So this equation had to be balanced.

The projects' management is a very specialized administration area and is increasingly required by the organizations. The need for project managers in the governmental organizations is still more visible. The projects, most times, are led without a person who is solely responsible, where several sectors share the responsibility for the execution, which makes the management and control of projects difficult.

Being able to execute projects is a fundamental feature for organizations that intend to survive in this hyper-speed context of the modern society.

Thus, it is the reason for the profile's change in the GT-PROMOCAT (PROMOCAT Work Group) from a distinguished technical qualification to a distinguished managerial one. In this move, the Projects Management Support Area was created, to be responsible for the assembly and training of the

body of leaders or managers of the 34 surfacing projects from the redesign now presented. This capability training was meant to enable each project leader to master concepts and some basic tools for project management, and, mainly to prepare, within a pre-established pattern, the respective plan of action. A good plan of action is a success factor in the implementation of any project.

For this capability training, it was not enough to deliver courses and literature prescription. There were also specialized consultants in this area for the direct work with the leaders. Positive results can be expected, only if basic work conditions are provided to the leaders.

During this training, well-outlined work rules, between the leaders and the PROMOCAT's Coordination, were put into a standard operational procedure pattern, with the purpose of clearing up the attributions, deadlines and work quality necessary to the proper running of PROMOCAT.

2.9. Critical Knots – Problems' Diagnosis

Almost all of the traditional methodologies available for strategic planning were developed for the private sector and poorly adapted to state-owned institutions. A new methodology has been successfully used in some Brazilian state-owned agencies, at

federal, state and local levels. It is the PES – Planejamento Estratégico Situacional (Situational Strategic Planning).

This method was developed by Carlos Matus, a Chilean economist, ex-Minister of Economy in the Allende Administration. Seeing that the strategic plans that he put into action while Minister, though technically correct and well elaborated, used to fail; the identified cause was that the traditional methodology then utilized had been conceived for the private sector, where its managers have a wider range of influence and are more powerful. In the public sector there is a greater complexity, with many political restrictions, both legal and social, that often are out of range of the direct action of public managers. This method's great difference is the making of plans, considering a situation and its political context, not only the variables usually studied in a traditional methodology.

As a starting point for the planning, the public administrator, here called "actor", *declares* a problem, viewed not in its common meaning, but as a situation that by his judgement needs to be altered. Once a problem is declared, an analysis must be conducted on all of its causes to determine if the deficiencies result from *action*, *capability* or something more complex, as legislation, rules or even uses and habits.

The detailing of the proposal considers all of its "actors" involved, direct and indirectly, taking into account their interests, in a

relationship of conflict and/or of cooperation. In this highly political context, the “actor” faces other “actors” who can cooperate, be neutral or even fight possible solutions, due to the way they see the problem.

Since the beginning of the PROMOCAT Program, there has been an evolution of the management model:

- *Redesign*, in 1998, explained above;
- *Macroprojects*, the assembly of projects according to the Departments responsible for their specification and management, in 1999. PROMOCAT was originally created so that the management of projects could be isolated from the day-to-day activities. After two years, though, there was a need to bring together the projects of the CAT processes. Thus, the Macroproject structure was built;
- *Operations Management Units*, in 2000.

The latest management structure – Operations Management Structure – was created with the help of the PES – Situational Strategic Planning.

At CAT, a problem – low collecting rate of ICMS, smaller than the State’s expectations - was “declared” by its Superior Council, whose solution directed the actions in the present management.

To help explain the problem, the points raised by the CAT 2002 Program, an update of the PROMOCAT Program, were incorporated and already discussed along all the phases of the

Modernization Program, resulting in CAT's Strategic Plan. This explanation identified various causes for the declared problem – low collecting rate x expectations -, among which eleven were selected, being the practical centers of action in this methodology called *critical knots*.

These are the Operations mentioned above, as follows:

- Reform of the administrative dispute system;
- Implementation of an adequation policy of the CAT professional profile;
- Revision of the process of charging unpaid debts;
- Implementation of a participative management and strategic planning system, directed to results;
- Creation of adequate and effective monitoring, evaluation and control tools;
- Restructuring of the CAT information systems;
- Reform of the planning and control systems of auditing activities;
- Revision of the attribution criteria of the productivity reward;
- Adaptation of the infrastructure for CAT's works' needs;
- Administrative unpaid debts charging process;
- Reform of the state's administrative dispute's legislation.

To assess and solve each critical knot, an operation was outlined, which is an assembly of actions and measures that, besides new products, incorporates the PROMOCAT's projects.

Currently, the Strategic Plan is in the detailing and operations' approval phase by CAT's Superior Council. Its execution will be done through the *Operations Management Units*. Besides the total dedication of the managers and their teams, it will demand an extensive work of information and picking up of opinions in the auditing bases, so that there is a massive participation and, thus, the program's success.

2.10. PFE – Posto Fiscal Eletronico (Online Tax Office)

As the first great and visible product produced by PROMOCAT, PFE will be the subject of a greater analysis in this essay.

The launching of the Posto Fiscal Eletronico – PFE (Online Tax Office), by the Secretariat of Finance of the State of Sao Paulo, was a milestone in the history of the Brazilian Fiscal Institution. It is a unique tax auditing project, with no precedents in Brazil or in the world. It manages, at the same time, to provide a service of the best quality to the taxpayer, while leveraging the auditing's effectiveness and reducing the costs of collecting. More than one thousand employees in the traditional Tax Offices will be free to undertake tasks which direct the Fiscal Administration to its original mission of fighting tax evasion.

It was inaugurated simultaneously in São Paulo and in a special presentation to the Interamerican Development Bank (IDB) in

Washington, DC, in September, 1998. IDB considered PFE the best taxpayer's assistance project among all it had analyzed in the world that year.

It is a Web site which runs as a virtual Tax Office. It supplies the best antidote against the auditing's arbitrary power: the standardization of procedures and the main information about taxes to be paid, eliminating the information's feud.

Let's see first, what is a traditional Tax Office:

A traditional Tax Office is an assistance unit of the Secretariat of Finance of the State of São Paulo, that assists a person or a legal entity, in the following services: registering as a taxpayer at the Secretariat of Finance (as a business or industry is opened or a person's activity as an autonomous merchant is started), altering file data, supplying the requested information to the Secretariat of Finance and meeting one of the many and multiple auditing's demands. There are 170 Tax Offices spread throughout the State, to assist more than *one million taxpayers*, from small businesses to big industries.

This new product, the Posto Fiscal Eletrônico (PFE) – Online Tax Office, comes to revolutionize assistance, eliminate paper and free highly qualified professionals (the tax auditors) from less demanding and bureaucratic tasks.

PFE is, no doubt, an office that makes available the services and long distance information, through the technology of the Internet, without the taxpayer needing to physically transport himself to the Tax Office.

PFE presents another benefit: it eliminates paper and the need to present documents. It eliminates those usual scenes, where the taxpayer (or his office assistant), after long hours on lines, finally gets to the assistance counter, to hear a public servant say that “a document is missing.” PFE also eliminates the *jeitinho* or *Brazilian way*, that famous and shameful way of favouring some taxpayers, when all are equal and deserve the same treatment.

The PFE project is the result of the initiative of a few tax auditors from Limeira, Franca and Campinas (cities in the countryside of the State of São Paulo), who, back in 1996, built the prototype of a PFE on their own, convincing a local Internet provider to invest in the project.

The initial objective was to solve the taxpayers' doubts, preventing their trips to the Tax Office, thus saving time both for the taxpayer and for the civil servants.

The idea soon arrived to the Secretariat's headquarters. It permitted the flow of information, but not the change of the processes in course at the Secretariat.

The project of the Modernization Program of the Tax Administration Coordination (PROMOCAT) was readied in October, 1997 and

presented in November before an IDB mission, which applauded the idea at the end of its exposition.

At the PFE, the taxpayer or his accountant can:

- get information about the latest changes in the tax legislation and about the more recent decrees and notices.
- consult the interpretations about the tax legislation emanated by the Tax Consultant Office;
- register himself as a taxpayer of the ICMS – Imposto sobre a Circulação de Serviços e Mercadorias (Tax on the Circulation of Goods and Services) at the Secretariat of Finance, submitting, through the Internet, data pertaining to various documents, which, through the former procedures, should be delivered to the physical Tax Office. As an example, in the traditional Tax Office, to register himself at the Secretariat of Finance as a ICMS taxpayer, a person had to go there personally and present a score of documents. Thanks to the PFE, the taxpayer is now excused from going to the Tax Office and bringing along all those documents. In the comfort of his office, the taxpayer (or his accountant) needs now only to access, through the Internet, the PFE and input the inscription number of his business at JUCESP – Junta Comercial do Estado de São Paulo (Commercial Board of the State of São Paulo). The control and checking, as to the truthfulness of the submitted data is up to the Secretariat of Finance;

- change his registered data, like address and partners' list;
- consult his simplified fiscal account.

The data relative to the taxpayer is protected by a private user code of access.

At the PFE, the tax auditor receives the benefits of the following innovations:

- the notices have an official interpretation of their text, that is, are presented in a standard pattern, with exposition of motives, validities etc. Previously, the notices, decrees and ICMS related laws came to the taxpayers' and to the tax auditors' knowledge through the Diário Oficial do Estado de São Paulo – DOE (Official Diary of the State of São Paulo) - the State Government's official newspaper, where all laws and legislation of the State must be published to be effective. When the DOE arrived at the Tax Offices throughout the State, an army of tax auditors had to interpret the legal texts to understand their meanings and demands, multiplying efforts in each of the State's more than two hundred Tax Offices, at the time. The same was done by hundreds of thousands of taxpayers and accountants in their respective businesses. PFE came to end this immense loss of time and energy, since it would bring, together with the legal texts, their official interpretation. In addition all of the State's legislation is now being produced under the same pattern, something that did not occurred before;

- reduction of the “interpretative effort” and time saving, thanks to the standard pattern of the texts. It can be easily explained: each published decree, depending on the complexity of its issue or the depthness of the changes of the valid notices, could cost around 500 hours of interpretative efforts from tax auditors, their chiefs, inspectors and supporting technicians. As there are 170 tax offices in the State, this effort can be reduced to about 200 work hours. This means the gaining of a 2-month-working tax auditor for each published piece of legislation;
- dedication to more skill-demanding work, freeing the tax auditors of bureaucratic and repetitive activities, such as counter assistance to the mere checking of documents;
- effective control, being able to authorize changes in taxpayers’ files, among other controls.

2.11. Need for Project Management

To steer the PROMOCAT program, a project management model was implanted and extended to all of its projects.

Through the adopted methodology (to be explained in Chapter Three), the projects’ plans of action were prepared and a Deliberative Council (DC), presided over by the State’s Secretary of Finance, was established and turned operational. The DC meets periodically to monitor the program and deliberate over its pending

matters, to approve changes and other necessary actions, besides facilitating the projects implantation.

3. Project Management

3.1. Overview

A *project* is a temporary endeavour undertaken to create a unique product or service. Temporary means that every project has a definitive beginning and a definitive end. Unique means that the product or service is different in some distinguished way from all similar products or services.

A project can be considered to be any series of activities and tasks that:

- have a specific objective to be completed with certain specifications,
- have defined start and end dates,
- have funding limits and
- consume resources (people, equipment, etc.)

Project Management is a process of bringing ideas or concepts into reality by identifying and executing the required steps. The Project Management process combines the knowledge of the application (i.e., the Project) and the knowledge of the business (i.e., the Management). Therefore, it requires a team of individuals capable

of integrating these two aspects throughout the duration of a project.

Why use the Project Management?

Too many projects are not successful in meeting their intended targets and often run into cost or budget overruns, late deliveries, and/or quality problems resulting in the dissatisfaction of everyone associated with them, including the end users. The purpose of implementing project management is to provide organizations with a structure that facilitates the systematic management of projects, through the application of proven tools and techniques.

What is a Work Plan?

A *Work Plan* is a tool that defines the work (design, build, verification and delivery) involved and the plan (scope, timing and interrelationships) required to complete a project, in order to meet a specified deliverable. At a minimum, work plans typically include the following elements:

- A Work Breakdown Structure (WBS),
- A template, that includes a list of tasks to be performed, duration for each task and network relationship between tasks,
- Timing charts, that contain major milestones and deliverables,
- Resources: roles and responsibilities for tasks and
- A disciplined update and review at regular time intervals.

Tools used for developing and tracking down plans include GANTT charts (bar charts), PERT charts (logic diagrams) and software such as Microsoft Project. These tools are used throughout the duration of a work plan.

3.1.1. Adopting a Methodology: WBS – Work Breakdown Structure

The WBS is the basis of all planning. It is a systematic way of breaking down program work into manageable pieces. It is not PCP, timing, network diagram nor organizational chart.

It is a deliverable-oriented “family tree” of project elements, which organizes, defines and graphically displays the total scope of a project. Each descending level presents an increasingly detailed definition of the project scope. It provides a common framework for scope, cost, schedule, communications, responsibilities, monitoring and management.

WBS – Benefits

As a project management tool, the WBS:

- organizes, defines and displays the project’s product into manageable pieces,

- provides means for reducing project objectives to deliverables and subsequent activities,
- reduces risks by preventing omitted deliverables,
- provides a support document for the management control process of the project,
- gains commitment of project personnel,
- help to relate “what” to “who”, “how” and “when” and
- help in selectively reporting and reviewing progress.

3.1.2. Activity Definition

Activity definition involves identifying and documenting the specific activities that must be performed in order to produce the deliverables and sub-deliverables identified in the Work Breakdown Structure (WBS).

3.1.3. Network Diagram

Network is an analytical project management tool. It is composed of events and activities, where event is defined as the starting or ending point of a group of activities. Network analysis can provide valuable information for planning, integration of plans, time studies, scheduling and resource management.

The primary purpose of network planning is to eliminate the need of crisis management by providing a pictorial representation of the total program. The following information can be obtained from such a representation:

- interdependence of activities,
- project completion time,
- impact of late and early starts,
- trade-off between resources and time,
- “what if” exercises,
- cost of a crash program,
- slippage in planning/performance and
- evaluation of performance.

There are several different techniques for activity sequencing, but we are going to work with the PERT networks, since, it is the network used by Microsoft Project.

3.1.4. Critical Path

The critical path is the path of tasks that has the longest duration through the work plan. Any delay of the tasks on the critical path will delay project completion.

The critical path is vital for the successful control of the project because it tells management two things:

- because there is no slack time in any of the events on this path, any slippage will cause a corresponding slippage in the end date of the program, unless this slippage can be recovered during any of the downstream events on the critical path,
- because the events on this path are the most critical for the success of the project, management must take a hard look at these events in order to improve the whole program.

3.2 Creating Project Teams

To make feasible the methodology of project management, about 60 project leaders and 100 assistants were trained by a consultant. This training was conducted through workshops, with a conceptual part followed by a practical one, relative to the preparation of the plans of action by the participants.

Specific identification of the participants in the project and a specification of their roles in terms of authority and responsibility were a team requirement.

Each activity should be assigned to an individual (Lead Executor), fostering accountability and directly linking deliverables to someone's work efforts. The lead executor is "who" decides "what" should be done.

3.3 Managing Projects

Standard spreadsheets were built to guide the execution of the plans, as well as the respective standard operational procedures, containing detailed instructions about the whole management model and its fundamental processes. These spreadsheets were revised and improved, after their utilization by PROMOCAT.

After the implementation of the management model and its adoption for all projects, the monitoring and control phases of the action plans were initiated, as well as the consolidation of the financial and organizational fields, carrying out the interdependence between the projects.

Another fundamental aspect is the consolidation of information to attend to the demand of information from the several sectors interested in the projects, each one demanding information in a specific format.

The monitoring of projects includes activities such as the verification of the tasks phase, collection and analysis of evidences relative to the completed tasks, obstacles' analysis, issuing and controlling of the Solving Problems Forms (SPF).

Executive reports were also produced for the Deliberative Council, for a Federal Government Control Unit, for the IDB and for other interested parties.

3.4 Project Closure

- **Contract and Administrative Close-out:**

It involves both product verification, if all work was completed correctly and satisfactorily, and administrative close-out.

The project or phase, after achieving their objectives or being terminated for other reasons, require closure.

- **Administrative closure:**

This consists of verifying and documenting project results to formalize acceptance of the product or of the project by the sponsor, client or customer. It includes collection of project records, assurance that they reflect final specifications, analysis of project success and effectiveness, and filing such information for future use. Administrative closure activities should not be delayed until project completion. Each phase of the project should be properly closed to ensure that important and useful information is not lost.

4. Creation of the Information Department

4.1. Management Systems

- PRODESP

Not much different from what happened to other governmental agencies, the Information Technology's management model at the State of São Paulo's Tax Administration, was supported, beginning in the 1970's, by an autonomous governmental computing company - PRODESP, following the concept of captive outsourcing.

The adopted management model is directly related to the main objective of SAFT – Sistema de Arrecadação e Fiscalização Tributária (Collecting and Tax Auditing System): the control of tax collection. SAFT is, conceptually, an operational system, that is, it offers restricted services for the data input and the output of pre-defined statements.

This system, still in use, justified itself in the 1970s and 1980s, due to the technology then available. The basic characteristics of this system were: it was built on a Mainframe platform, with little participation from its users (CAT), in its conception and implementation. It has a low interactivity with the real users, the tax auditors, due to scarce access to computer terminals in the Fiscal Units.

However, with the technology that arose in the 1980s, with PCs introducing simpler and equally powerful programming languages, plus friendlier graphic interfaces, client-server platforms and new analytical systems CAT was motivated to pursue new alternatives for the information technology area. The users, the tax auditors, started demanding information for their work. There arose, then, the need for analytical systems, i.e., that contain intelligence and produce efficient information for CAT "business". These systems naturally induced direct and verticalized control over all of the phases of development and operation by the very process users.

- CINEF

The modernization program provoked a discussion about the information quality that SAFT was prepared to produce, thus making clear the peculiar position that CINEF – Centro de Informacoes Economico-Fiscais (Fiscal – Economic Information Center) always had inside CAT's information technology management model.

This peculiarity lay in the fact that the maintenance and development administration of SAFT was under CINEF's responsibility and no longer responded to tax auditors' information needs. The distance provoked more by the generated information quality than by a lack of computing culture at CAT, made CINEF

assume the administration of the taxpayers' file and of the fiscal account alone.

CINEF then turned itself from an information technology management model coordinator to a "cleaner" of the inconsistencies generated by the system.

The recovery of CINEF, the current DI, as a management body of CAT's information systems, both in the strategic planning of development and maintenance and in the control of its outsourcing contracts, was part of the strategy included in the modernization program.

- PROMOCAT

With PROMOCAT's redesign, in 1998, the structures of program projects were defined. Each project gained a new identity, no longer exclusive with its functional area, but with one or more products, clear and defined.

One of these projects, called "Departmental Systems", had as a product the assurance of the integration and interoperability of the many systems in the tax area. This product could only be obtained if there were a conceptual specialization in the development area in order to balance specification (functional) areas.

In other words, the project TDI-4 represents a specific attribution to the systems area, since the development attends to the patterns

and demand levels of users and “customers”, that is, attends to the specifications from business areas. The specifications in their turn, have to comply with the limits imposed by the standardization needs and prioritization in the development of systems, and further have to know how to make specifications.

This work is about the structuring of the systems development activity, or more specifically about the TDI-4 project, under the view of the administrative processes in which these systems are inserted, adopting tools that help in the prioritizing and qualification of the development process. It goes from the specification phase to the adoption phase of a model of development evaluation and systems reception for operational maintenance, which applies also to the contracted third parties.

4.2. Concepts of Work at DI

4.2.1. Alignment with the Administrative Processes

The structuring of the activities related to the development of the tax systems predicted in PROMOCAT (TDI-4 Project) must be associated with the concept that this work’s success is a consequence of its alignment with the Tax Administration’s key administrative processes. The new systems, as well as the development processes, in order to provide the material

benefits expected from them, must be compatible with CAT's culture, complying with the premisses of the information distribution and creation of new relationships in and outside of the organization.

The need for alignment with the Tax Administration's "business" imposes on this new structure, that is moving toward the systems development, in the following steps:

- Strategic Plan of Systems Development

There are two preliminary situations in the very development: the perception and accountability of all CAT for a systems development strategy and the constant verification of eventual information gaps in CAT's systems. The idea here is that CAT, as a whole, understands the form by which information is structured, and then decides as to the priority of implementation of information systems. On the other hand, a program the size of PROMOCAT can't intend to supply all of CAT's information needs.

This means that there is a need to institute a culture of checking and constantly updating CAT's data structure, as an involvement tool of all the organization in the activity of systems strategic planning.

With this, it is expected that the chronic problems, originated in the dissociation, will be minimized in the planning of the administrative processes systems area.

- Compliance with the specifications of the functional areas and users' needs

DI doesn't intend to learn and apply all of its knowledge of the functional areas in the development and maintenance of systems. Its function is to promote the alignment of the organizational structure, the administrative praxis, the auditing strategy and the collection of taxes with the information systems. In other words, this means that the work of DI will be to establish structured mechanisms that guarantee the deep involvement of the users and "customers" in the systems development. This is done by identifying and training people in the organization, from all functional areas, in essential and critical activities, for a good computing product, on the following skills: specification, project monitoring and system implementation. To train them is to structure these tasks and establish the importance of participation and the exact intervention of users. How, when and where one needs to and must intervene is one of the objects of this structuring.

By capacitating these users or “customers”, DI starts being a coordinating unit of this research process on what users desire and not the supplier of their desires.

4.2.2. Quality-Based Software Management

The management by quality is not a novelty in the administrative environment of organizations. The improvement of quality in products and results are objectives also pursued by public organizations.

This race toward quality faces an obstacle in the adaptation of management models for each organization, often due to the adopted methodology. The choice of methodology is, thus, a critical point in the implementation process of a management model directed at quality.

Some specific methodologies for this area have been developed and successfully used in organizations in Brazil and abroad, having already achieved ISO recognition.

It must be made clear that DI’s objective is not to reach the certification of its processes and products. The application of an evaluation methodology aims, mainly, to identify improvement points and process revision opportunities, guaranteeing a constant evolution of its management methods.

This does not prevent CAT, in any moment in the future, from certifying DI's processes and products, and also demanding this certification from its suppliers.

4.2.3. Strategic Control of Tax Information and Systems

For the purpose of enabling the auditing and collection activities to be developed with efficiency and effectiveness, the information and the systems that support them must not be mere subsidiaries.

Information and systems are the core business of the tax administration. The domination over information, systems, and, more than that, over these systems' development processes has an undisputed strategic character for CAT.

The application of this concept demands a single strategy in the structuring of the systems' development activity. This strategy expresses itself in the hard work on revision of the administrative processes, that we want to see systemized, at the same time that a laboratory environment is developed. This dynamic execution between the specifiers of the functional areas and the technicians of the systems area also presents very good results in the maximizing of the development process, by reducing costs and execution time,

in addition to preventing future situations of dissatisfaction on both sides.

In parallel with this competitive advantage, another advantage can be seen, starting with the prototype/product resulting from this development conception. It is the possibility of creation of an open architecture product that permits evolutionary maintenance, independent from the technology of a single supplier. This can represent a significant reduction in maintenance costs, since it makes it possible to obtain the best price among different computing tool suppliers and data bank managers.

4.2.4. Building and Maintenance of an Information Macro Model

The main objective of an Information Macro Model is to enable a global vision of the CAT information flow. Through this Macro Model, for example, the systems planned in the TDI-4 project could be analyzed, and thus, eventual gaps of information, left unfilled by these systems, could be discovered.

The relevant possibilities of information gathering, important to the CAT activities, are expressed in the Information Macro Model. Its future implementation, through the information

system, will add flexibility and perceived value according to the functional areas of CAT, since these areas will be able to establish a strategic plan for the systems development.

This Macro Model is a graphic and textual representation of the structures and “business” rules that define the CAT’s data. A matrix denominated “Data x Activities” will identify how data is manipulated in CAT’s activities. The data structures are formed by entities, relationships and main attributes. These data structures should be utilized to understand the way as information is structured at CAT.

A matrix should also be built relating the information entities to CAT’s activities, to the objective of identifying how these activities manipulate the data (creation, utilization, use and elimination). This would generate a global view of the entities and relationships shared by the various functional areas, considering the three levels: operational, tactical and strategic.

It must be stressed that the elaboration of CAT’s information macro model is a continuous activity of DI, since the information needs, mainly in the tax area, can’t be considered static. All changes occurred in CAT’s activities should be systematically incorporated in the information macro model.

4.2.5. Implementation of a quality evaluation methodology in the software development and maintenance processes

The improvement of DI's processes should be reached through the adoption of the CMM – Capability Maturity Model. This model was chosen for being the most used model in software organizations and, reputedly, an ideal methodology for the quality improvement of the systems' development and maintenance processes quality improvement.

The focus of evaluation should reach, besides DI's suppliers, its two main functions: the systems development standardization and the systems evolutionary maintenance.

The specification function, also a fundamental activity for the production of a quality software, should also be constantly evaluated.

The capability maturity level of an organization is measured in a scale (1 to 5). All organizations are primarily in the first level. It demands hard work just to get to the second level.

5. Conclusion

The Modernization Program of the Secretariat of Finance of the State of São Paulo came in an important moment for this institution. Like all other Brazilian government institutions, in all levels, it was technically stagnant, mainly due to lack of financial and material resources.

These conditions left the Secretariat in a state of great disadvantage to conduct its activities, like auditing the large, computerized and well-equipped companies.

Its employees also lacked the necessary training in managerial and computing skills, leaving them in a difficult situation to adequately carry out their legal assignments.

The use of electronics, starting with a program negotiated with the IDB – Inter Development Bank, has permitted the Secretariat to review its management patterns. More horizontal interaction will be possible, among employees from different sectors, with the assembly of an information network linking the many governmental units. With the advance provided by this change, the old style of management – fragmented in a huge number of units, each one with its own pyramidal structure of command – has its days numbered.

This program is the best proof that the public sector, when it wants, can be as efficient as the more agile of the private structures.

The whirlwind caused by this new environment, the *Electronic Government*, will transform the State of São Paulo Government in an

educated, impersonal and uncorruptible government. The transformation process is already underway. The more public agencies and institutions that join this trend, so much better will be Brazil's governmental institutions, public services and thus, its citizens' well being.

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