



Treasury Inspector General for Tax Administration

CORRESPONDENCE IMAGING SYSTEM PERFORMANCE HAS IMPROVED, BUT ADDITIONAL MEASURES ARE NEEDED TO ENSURE THAT THE SYSTEM PERFORMS AS EXPECTED

Issued on July 9, 2008

Highlights

Highlights of Report Number: 2008-20-130 to the Internal Revenue Service Chief Information Officer.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) has spent approximately \$32 million to develop and implement the Correspondence Imaging System (the System) to scan and convert incoming taxpayer correspondence to digital images. While the IRS has taken steps to improve the System's performance, the System continues to experience periods of instability and performance issues. The IRS needs to further improve System performance and prevent the same instability and performance problems from recurring. Until this work is complete, the System could continue to experience periods of instability and performance issues that might affect the IRS' ability to provide efficient and effective service to taxpayers.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether the IRS had established and implemented adequate internal controls to ensure the stability and performance of the System and to ensure proper planning for its future merger with the Accounts Management Services system. This audit was part of the TIGTA Fiscal Year 2007 Annual Audit Plan coverage.

WHAT TIGTA FOUND

The System has significantly improved the timeliness and efficiency of processing taxpayer correspondence cases in the campus locations where it has been deployed. IRS customer service representatives and tax examiners nationwide are now using a number of automated processes as a result of the System to more efficiently deliver work and better manage inventories.

However, in early 2007, the System experienced unacceptable levels of instability and performance problems. As a result, the IRS formed an Incident Analysis Team to assess and recommend corrective actions to address these problems. As of January 2008,

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the IRS had taken steps to complete 18 of the 26 corrective actions.

The IRS and its contractor did not follow appropriate requirements management processes for developing, documenting, and testing performance requirements for the System. If the IRS does not follow critical requirements management processes, the System could continue to experience instability and performance issues, and the IRS might be unable to achieve all of the business performance goals expected from deploying the System.

The IRS has provided information to the Department of the Treasury and the Office of Management and Budget to make financial budget decisions related to the System. However, some of the information in the System business case was incomplete and inaccurate and, as a result, the IRS overstated the estimated costs and benefits by \$115.4 million and \$86.2 million, respectively.

In Calendar Year 2006, the IRS decided to merge the System with the new Accounts Management Services system. However, the IRS did not prepare and submit a Baseline Change Request for the planned merger before it submitted the Budget Year 2009 Correspondence Imaging System business case in 2007. Subsequent to the completion of audit fieldwork, the IRS requested approval to merge the two systems as instructed by Department of the Treasury guidance.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief Information Officer ensure that 1) the corrective actions taken subsequent to our audit work to address the open recommendations identified by the Incident Analysis Team have been completed and were effective in improving System performance, 2) adequate actions are taken to reduce and prevent the same instability and performance issues from occurring after the System is merged with the Accounts Management Services system, and 3) IRS project officials make a timely request for Department of the Treasury approval to merge and close investments and restate expected costs and benefits.

In their response to the report, IRS officials agreed with the recommendations and stated that they have taken or plan to take appropriate corrective actions.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2008reports/200820130fr.pdf>.

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