DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224
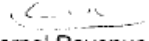
February 10, 2000

MEMORANDUM FOR TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

FROM: Charles O. Rossotti
                  Commissioner of Internal Revenue

SUBJECT: Response to Draft Management Advisory Report: Various Risks
                  Remain in the Year 2000 Conversion Effort for Personal
                  Computer Systems

Thank you for the opportunity to review and comment on your Draft Management Advisory
Report concerning risks remaining in the Year 2000 (Y2K) conversion of personal computer
systems. I am particularly pleased that your staff noted that Internal Revenue Service (IRS)
had improved the overall management of the personal computer (Tier 3) conversion effort.

Your staff also noted that the Century Date Change (CDC) Project Office has processes in
place to reduce the risk of Y2K failure of mission-critical systems associated with personal
computers. The updated information in your report confirms the progress we have made to
ready personal computers for the Year 2000. We will continue our aggressive oversight in
this area.

As noted in your report, Information Systems (IS) does not separately track the conversion
of the IRS' personal computers associated with certain mission-critical systems. Tracking
personal computer conversion progress using a dashboard approach, similar to the Tier 2
Program Office, is not feasible. The inventory does not identify personal computers by the
system they support. Personal computers often support multiple systems and can be
changed to support different systems as work requirements dictate. Listed below are the
tools we determined to be best suited for the successful tracking of Y2K conversion of
personal computers. The CDC Project Office uses these reporting mechanisms to identify
and track key elements and tasks associated with the conversion effort:

- Status of Tier 3 Action Items
- Tier 3 Inventory Analysis
- Device Inventory Y2K Compliance Status
- Detailed Commercial Off-The-Shelf (COTS) software and hardware testing
  reports.

Using these reports, the IRS has captured all COTS products used to support each Tier 3
mission-critical application. The End-User Computing Support Division distributes "Tier 3
Inventory Analysis" reports to executives on a weekly basis. The weekly CDC Information
System Progress Reports, which contain the "Status of Tier 3 Action Items" and the "Tier 3

Inventory Analysis," are reviewed at the weekly Century Date Change Information System Progress Report meetings. Information Systems tracks the Tier 3 mission-critical systems and associated COTS software's transition to standard products by working closely with system owners. The ability to track progress at this level of detail allows responsible executives to prioritize the conversion of their products, greatly reducing the risk of Y2K failure within the associated mission-critical systems.

The IRS also conducted the following inventory and compliance review processes which have assisted in making Tier 3 systems and platforms compliant:

- The Enterprise Operations Division conducted a wall-to-wall physical reconciliation of the inventory and certification of the inventory (all Service Centers and Computing Centers have been certified).

- The CDC Project Office instituted a series of Independent Audit and Readiness Verification (IARV) visits to all Service Centers, Computing Centers, and District Offices (except one), and selected National Office sites to verify compliance of systems and to identify corrective actions.

Your report also raised the issue that certain software products used to run personal computers have not been fully tested. While the testing is still not 100% complete, IS management has implemented an effective methodology to ensure that software testing of personal computer COTS products is completed before the end of the year. The software has been placed into a high, medium, or low risk category. All high and medium risk software has been tested. Only 89 low risk software products remain to be tested. None of these remaining products are registered on more than 0.1% of all IRS desktops, and only 10 are registered on more than 0.01% of all IRS desktops. In addition, the End-User Computing Support Division has directed owners to remove any remaining software products, which have not completed the impact analysis step of the Y2K conversion process, from computers, or to isolate them on standalone computers, by December 7, 1999. As of December 10, 1999, 94% of the personal computer hardware and COTS software inventory is compliant.

The IRS continues to focus on removing products scheduled for retirement from IRS' systems. We have made significant progress in retiring both hardware and software associated with personal computers. As of December 10, 1999, 17,868 devices remain to be retired. This is a decrease of 39,421 devices since October 31, 1999.

As a result of our more detailed Tier 3 inventory and COTS assessments, the IRS requested and received additional funds from the Office of Management and Budget (OMB) to supplement original budget estimates. We used this money to purchase additional computers to replace those that we might have had problems making Y2K compliant. As of December 3, 1999, 10,352 new Pentiums, procured with the additional OMB funds, have been delivered and installed. Fewer than 400 remain to be installed.

Thank you again for the opportunity to respond to your report. If you have any questions, please call Paul Cosgrave, Chief Information Officer, at (202) 622-6800, or have a member of your staff call David Junkins, Director, Office of Information Resources Management, at (202) 283-4060, or Barry Herrmann, Chief, Office of IS Program Oversight and Management Controls, at (202) 283-7698, as appropriate.

cc: Associate Inspector General for Audit (Information Systems Programs)
    Director for Legislative Affairs