The Information Systems Organization Needs to Incorporate Transition Funding in Its Financial Plan

September 2000

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INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 26, 2000

MEMORANDUM FOR COMMISSIONER ROSSOTTI

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - The Information Systems Organization Needs to Incorporate Transition Funding in Its Financial Plan

This report presents the results of our review on the adequacy of the Internal Revenue Service's (IRS) efforts to fund the transition activities of the Information Systems (IS) Organization as part of the IRS' overall restructuring. In summary, we found the IRS' budget submissions for Fiscal Years (FY) 2000 and 2001 did not consider costs and benefits of IS transition-related initiatives and did not include all necessary funding to allow execution of transition plans. These costs involved $350,000 for consolidating staff performing information systems work in other divisions into the IS organization and $2.5 million to fund IS' restructured organization.

If the IRS does not address these transition-related budget requirements and complete the necessary fund transfers, the IS budget may experience a funding shortfall of an estimated $2.9 million for FY 2000. Also, limited funding to support the transition to the IS shared services structure may affect the IRS restructuring by not providing the business units expected services. Management's response was due on September 25, 2000, but was still in the process of being finalized as of the date of this report.

We recommended that the Chief Information Officer (CIO) provide direction ensuring inclusion of transition-related funding to allow the IS organization to reach its goal of operating in a shared services structure. To manage the potential FY 2000 budget shortfall, we recommended that IS ensure timely completion of financial plan changes and inter-appropriation transfers. For future transition planning, we recommended that the CIO coordinate with transition team executives to attempt to align planning efforts with budget cycle requirements.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions, or your staff may call Scott E. Wilson, Associate Inspector General for Audit (Information Systems Programs), at (202) 622-8510.

Table of Contents

Executive Summary

The budget cycle at the Internal Revenue Service (IRS) begins with estimates of the budget needed to operate its programs in a designated fiscal year. The IRS presents the budget proposal to the Department of the Treasury, the Office of Management and Budget, and the Congress.

The IRS finances most of its operations through the five annual appropriations that comprise its operating budget for the fiscal year. One of these five appropriations is the Information Systems (IS) Appropriation, which provides the resources to manage, maintain, and operate the information systems supporting Federal tax administration. The IRS' business activities rely on these information systems to process tax and related documents, to account for tax revenues collected, to send out bills for taxes owed, and to issue refunds. The President's Budget for the IS Appropriation is $1.45 billion for Fiscal Year (FY) 2000 and $1.58 billion for FY 2001.

In January 1998, the IRS undertook an ambitious program to modernize all aspects of the agency. The IRS refers to this whole process of change as "modernization." IS modernization plans include a multi-year transition to a shared services structure[1] designed to improve services provided to internal and external customers. In addition to restructuring the IS organization, the IRS plans to move groups of employees working in other divisions who perform key computer support work, such as systems development, systems operations, network management, telecommunications, and desktop support, to IS before October 2000.

The overall objectives of this review were to determine whether the IRS' transition plan adequately accounted for IS resources and whether the plan is sufficiently funded to achieve FYs 2000 and 2001 transition milestones.

Results

In September 1998, IS appointed teams to plan the transition to a shared services structure. Their efforts resulted in detailed reports which contained blueprints for the IS organization and its new processes for FY 2000 and beyond. However, our review of IS transition planning determined that these teams did not adequately address transition initiatives in the IRS' budget submissions.

[1] A shared services structure consolidates all computer technology throughout the IRS under the Chief Information Officer (CIO) to achieve efficiencies from pooled resources, prioritized work optimizing use of resources, standardized applications and equipment, and consistent security guidelines and procedures.

If the IRS does not address transition-related budget requirements, the IS budget may result in a shortfall in funding for FY 2000. Also, limited funding to support the transition to the IS shared services structure may affect the IRS restructuring by not providing the business units all services expected.

The Information Systems Fiscal Year 2000 and 2001 Budgets Did Not Include Transition-Related Initiatives and Changes

Transition team efforts included detailed research on best practices and benefit information for shared services organizations. However, the teams included cost considerations for only one transition initiative. Transition teams did not develop business cases or consider costs for 23 of 24 transition-related initiatives. Also, the IRS transition planning process was not properly aligned with the budget cycle, and IS did not consider transition-related costs for inclusion in the budget formulation.

The absence of proper planning to provide sufficient transition funding has resulted in:

- An immediate shortfall of IS funds that must be addressed to avoid potential Antideficiency Act[2] penalties.
- A potential inability to implement transition initiatives due to inadequate funding.

Because of an absence of cost consideration in transition planning, the budget submission to fund the IS organization's transition initiatives understated IS needs by an estimated $2.5 and $9.8 million for FYs 2000 and 2001, respectively.

Summary of Recommendations

The CIO needs to provide direction ensuring inclusion of transition-related funding to allow the IS organization to reach its goal of operating in a shared services structure. To manage the potential FY 2000 budget shortfall, IS needs to ensure financial plan changes and inter-appropriation transfers are completed. For future transition planning, the CIO should coordinate with transition team executives to attempt to align planning efforts with budget cycle requirements.

[2] The Antideficiency Act, U.S. Code: Title 31, Section 1341. This law regulates expenditures and transfers of resources between and among agency budget appropriations.

Management's response was due on September 25, 2000, but was still in the process of being finalized as of the date of this report.

Objectives and Scope

The overall objectives of this review were to determine whether the Internal Revenue Service's (IRS) transition plan adequately accounted for Information Systems (IS) organization resources and whether the plan is sufficiently funded to achieve Fiscal Years (FY) 2000 and 2001 transition milestones.

This review assessed the adequacy of IS' processes to effectively budget the costs to move to its restructured organization.

To accomplish these objectives, we reviewed the IRS' budgeting policies and procedures. We met with members of the IS Office of Information Resources Management staff, the Chief Financial Officer's management staff, Transition Design Team members, and Booz-Allen & Hamilton[1] personnel. We reviewed transition-related documents and the methodology used to account for the transition. We performed these reviews between February and June 2000. Fieldwork was conducted in the National Headquarters and the New Carrollton, Maryland Information Systems Headquarters Office. This audit was performed in accordance with *Government Auditing Standards*.

Details of our audit objectives, scope, and methodology are presented in Appendix I. Major contributors to this report are listed in Appendix II.

Background

The budget cycle at the IRS begins with estimates to operate its programs in a designated fiscal year. The IRS presents the budget proposal to the Department of the Treasury, the Office of Management and Budget (OMB), and the Congress.

[1] The IRS selected the international management and technology consulting firm of Booz-Allen & Hamilton to conduct a validation study and risk assessment of the IRS' modernization plan.

The Information Systems Organization Needs to Incorporate Transition Funding in Its Financial Plan

The IRS' business activities rely on information systems to process tax and related documents, to account for tax revenues collected, to send out bills for taxes owed, and to issue refunds.

The IRS finances most of its operations through the five annual appropriations that comprise its operating budget for the fiscal year. One of these five appropriations is the IS Appropriation, which provides the resources to manage, maintain, and operate the information systems supporting Federal tax administration. The President's Budget for the IS Appropriation is $1.45 billion for FY 2000 and $1.58 billion for FY 2001.

In determining the IRS' financial plan allocations, the budget staff works with IRS program staffs to balance work planning with resource planning. These staffs ensure that they distribute resources to match business priorities, allowing the IRS to deliver on the work promises it makes in the budget to the Treasury, the OMB, and the Congress.

The IS organization is moving to a new shared services structure.

In January 1998, the IRS undertook an ambitious program to modernize all aspects of the agency. The IRS refers to this whole process of change as "modernization." IS modernization plans include a multi-year transition to a shared services structure[2] designed to improve external customer service[3] and more effectively serve its internal customers. In addition to restructuring the IS organization, the IRS plans to move groups of employees in other divisions (non-IS employees) performing key computer support work, such as systems development, systems operations, network management, telecommunications, and desktop support, to IS before October 2000.

[2] A shared services structure consolidates all computer technology throughout the IRS under the Chief Information Officer (CIO) to achieve efficiencies from pooled resources, prioritized work optimizing use of resources, standardized applications and equipment, and consistent security guidelines and procedures.

[3] External customers include taxpayers and federal, state, and local Government agencies.

Results

IRS budget submissions did not adequately address IS transition-related initiatives and changes.

In September 1998, IS appointed teams to plan the transition to a shared services structure. Their efforts resulted in detailed reports from Phases IIA and IIB transition teams[4] in April 1999 and January 2000, respectively. These reports contained blueprints for the IS organization and its new processes for FY 2000 and beyond. However, our review of IS transition planning and accounting determined that none of the organizational initiatives and changes were adequately addressed in the IRS' budget submissions.

If the IRS does not address transition-related budget requirements, the IS budget may result in a shortfall in funding for FY 2000. Also, limited funding to support the transition to the IS shared services structure may affect the IRS restructuring by not providing the business units with expected services.

The Information Systems Fiscal Year 2000 and 2001 Budgets Did Not Include Transition-Related Initiatives and Changes

The annual budget cycle requires the IRS to consider budget proposals, for the fiscal year beginning October 1 of the following calendar year, in April of the current year. The IRS submits its proposal to the Treasury in June of the current year.[5] IRS organizations need to

[4] The IRS modernization efforts include restructuring its organization. The transition to the new structure involves the following transition team phase assignments to bring about changes: Phase I – Organization and Program Design; Phase IIA – Design; Phase IIB – Implementation Planning; and Phase III – Implementation.

[5] To give the IRS time to develop a more accurate budget for FY 2002, the Treasury has granted the IRS approval to forgo the June 2000 Treasury submission and submit the budget directly to the OMB in September 2000.

identify initiatives and changes formulated after each April to ensure the IRS requests sufficient funds for inclusion in each June budget submission. Organizations need to prepare a business case identifying costs, benefits, dependencies, and alternatives for initiatives requiring additional funding. Formal approval of an initiative should be based on the detailed information in the business case. The Treasury subsequently forwards these budget proposals to the OMB and the Congress for approval.

Transition team efforts included detailed research on best practices and benefit information for shared services organizations. However, the teams included cost considerations for only one transition initiative during the Phase IIA or IIB planning. Business cases were not developed and costs were not considered for preliminary approval for 23 of 24 transition-related initiatives and changes. Also, the IRS transition planning process was not properly aligned with the budget cycle, and IS did not consider transition-related costs for inclusion in the budget formulation.

A culture exists in the IS organization that does not provide appropriate emphasis on developing accurate budget data.

A review of budget formulation and execution data for the past 3 fiscal years, and interviews with IS budget section employees, showed an absence of emphasis on developing requirements supporting the annual budget submissions. Rather, IS used a “rollover figure” from the previous year’s budget and made adjustments as needed throughout the year to fund operations. IS moved money to the under-funded areas from both within the IS Appropriation (intra-appropriation transfers) and the Compliance Appropriation (inter-appropriation transfers), as it conducted business.

While inter-appropriation transfers require formal tracking and requests from the Congress, the IRS does not have the ability to track the number or amounts of intra-appropriation transfers made during the year. The absence of this historical information inhibits IS’ ability to consider funding needs from prior years in developing future year budget estimates.

The absence of proper planning to provide sufficient funding for transition initiatives has resulted in:

- An immediate shortfall of IS funds that must be addressed to avoid potential Antideficiency Act[6] penalties.
- A potential inability to implement the transition initiatives due to inadequate funding.

IS needs to address an immediate shortfall of funds to avoid potential Antideficiency Act violations

An absence of budget planning may result in an immediate shortfall of funds for transition-related initiatives.

The Phase IIB transition team's Final Report included 24 change initiatives to facilitate IS' transition to a shared services structure. The Phase IIB Final Report did not include associated costs for these initiatives. We were able to estimate budget requirements for 2 of these 24 initiatives. Budget formulation information was not available for 21 of the remaining 22 change initiatives,[7] some of which may not require additional funding. IS did not include additional funding for any of these transition-related change initiatives in the budget submission for FY 2000 or 2001.

This absence of budget planning may result in an immediate shortfall of funds for these initiatives.

- **Consolidation of non-IS staff into the IS organization:** IS and non-IS organizations work together to prepare financial plan changes to provide funding for the positions that are transferred to IS. Currently, there have been five non-IS groups that have officially transferred employees to IS. The funding for these groups was transferred to IS between 1 and 6 months after the employees were actually reassigned. IS is still awaiting the transfer of approximately $350,000 of miscellaneous

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[6] The Antideficiency Act, U.S. Code: Title 31, Section 1341. This law regulates expenditures and transfers of resources between and among agency budget appropriations.

[7] Cost information for one initiative was included in the April 1999 report "Desktop Analysis."

employee costs (awards, travel, training, and overtime) for FY 2000. Additionally, IS needs to provide funding for four new management positions that it agreed to establish. IS will need approximately $345,000 annually, beginning in FY 2001, to fund these four positions.

IS will also need to expeditiously make future financial plan changes as it consolidates additional non-IS staff into its organization as part of the IRS' reorganization. This non-IS staff is scheduled to consolidate into IS by October 1, 2000. Using a unit cost rate estimate,[8] the annual funding for moving these positions could total an estimated $84.5 million.

- **Establishing the Offices of Strategic Planning and Client Services (SP&CS) and the Division Information Officer (DIO):** The IS restructuring in FY 2000 includes the addition of the SP&CS and DIO staffs. The SP&CS staff will develop strategic plans for future IS activities. The SP&CS office will also coordinate with the DIOs to incorporate the needs of the IRS' business operating divisions and functional units into IS' strategic plans. The SP&CS and DIO staffs consist of 156 employees (114 of which are not funded). However, IS did not request funds for the new SP&CS or DIO offices in the FYs 2000 or 2001 budget submissions.

  As of April 14, 2000, a shortfall of funds of approximately $1.6 million existed for the SP&CS office. If the SP&CS and DIO offices were partially staffed by July 1, 2000, and will be completely staffed by September 1, 2000,[9] IS will need approximately $2.5 million to fund these positions for the remainder of FY 2000. If the SP&CS and

[8] Unit cost rates are rates developed by management to calculate the cost of hiring new employees. These rates include salary and related overhead costs such as overtime, awards, and training.

[9] Staffing numbers and dates were taken from the Phase IIB Final Report.

DIO offices are fully staffed in FY 2001, IS will require approximately $9.8 million to fund them. IS did not include funding for these offices in its FY 2001 budget submission.

IS is attempting to reprogram funds from other areas of IS and from other IRS appropriations to implement as many of its transition initiatives and changes as possible.

- **Implementing all IS transition-related initiatives:** IS has 22 other change initiatives that may involve additional costs for which it has not planned funding in its budget. IS is attempting to reprogram funds from other areas of IS and from other IRS appropriations to implement as many of these transition initiatives and changes as possible.

  Of the 24 change initiatives, 21 were scheduled to begin implementation in Calendar Year (CY) 2000. IS plans completion for these 21 initiatives by the end of CY 2002. Appendix V presents a table describing the IS transition-related initiatives and the respective implementation start and completion dates.

Since IS did not include funds for the staffing of and related costs for these transition initiatives in its budget estimates, the budget submission for FY 2000 does not accurately reflect the IS organization's requirements. In addition, IS did not include the funding requirements for these initiatives in future year budget estimates.

IRS officials may be subject to Antideficiency Act sanctions if budget shortfalls are not funded.

The absence of adequate planning to provide sufficient funding may result in an inability to implement some transition initiatives. Also, if the potential FY 2000 budget shortfall of almost $2.9[10] million is not funded, IRS officials may be subject to Antideficiency Act sanctions. The provisions of this law require that violations be reported when an officer or employee of

[10] The $2.9 million includes approximately $350,000 for consolidating non-IS staff and approximately $2.5 million for SP&CS and DIO staffing. The $350,000 is to cover costs of non-IS staff that have already moved to IS (these funds should be transferred to IS from other appropriations). The $2.5 million should have been included in the FY 2000 budget submission.

the United States Government has made or authorized an expenditure from or created or authorized an obligation against any appropriation or fund in excess of the amount available in the account.

If IRS officials do not comply with these provisions, the laws provide sanctions where an officer or employee shall be subject to administrative discipline, including written reprimand, suspension from duty without pay, or removal from office. In addition, an officer or employee convicted of willfully and knowingly violating the Act will be fined not more than $5,000, imprisoned for not more than 2 years, or both.

Recommendations

The CIO needs to provide direction ensuring inclusion of transition-related funding to allow the IS organization to reach its goal of operating in a shared services structure. This direction involves coordination of IS' Financial Management Branch with the Chief Financial Officer's Strategic Planning and Budget Division and various budget offices within the IRS operating divisions.

1. To manage the potential FY 2000 budget shortfall, IS needs to ensure financial plan changes and inter-appropriation transfers are completed. IS needs to complete these budget adjustments before October 1, 2000, to avoid Antideficiency Act violations and sanctions.
2. For future transition planning, the Director, SP&CS, should coordinate with transition team executives to attempt to align planning efforts with budget cycle requirements. In planning the transition initiatives, they need to consider and estimate funding requirements at the earliest point possible. To develop complete and comprehensive funding requirements, planning efforts should incorporate the Chief Financial Officer's business case development criteria.

Management's response: Management's response was due on September 25, 2000, but was still in the process of being finalized as of the date of this report.

Conclusion

IS transition team efforts to move to a shared services structure may not reach the intended goal because of an absence of budgeting considerations. The lack of budgeting considerations has made the IS organization:

- Face a potential shortfall of an estimated $2.9 million in FY 2000.
- Consider alternatives for reprogramming funds to meet additional annual transition-related costs of over $9.8 million to fund the offices of SP&CS and the DIO and costs related to the remaining 22 initiatives.
- Continue to adjust budget plans because of the migration of non-IS staff to IS. This migration could amount to an estimated $84.5 million in staffing costs annually.

Addressing these transition-related budget requirements is necessary for IS and the IRS to reach the structure of the new organization. Without appropriate business case development to enable cost identification, IS will not have an adequate means to prioritize and implement transition-related initiatives. The absence of quantifiable business case information may also result in postponing implementation of some initiatives because of funding limitations.

Appendix I

Detailed Objectives, Scope, and Methodology

The overall objectives of this review were to determine whether the Internal Revenue Service's (IRS) transition plan adequately accounted for Information System (IS) organization resources and whether the plan is sufficiently funded to achieve Fiscal Years (FY) 2000 and 2001 transition milestones. To achieve this objective, we performed the following analyses and tests:

I. To determine whether the IRS' budgeting policies and procedures provide for comprehensive cross-functional planning and require sufficient justification documentation, we:

A. Reviewed FYs 2000 and 2001 IS initiatives and operational changes to determine whether all program parameters (personnel, computers and equipment, space, support, and training) were considered for inclusion in the budget. We analyzed IS Transition Blueprints and budget databases to determine if they adequately addressed FYs 2000 and 2001 initiatives in the budget submissions.

B. Determined the methodology used to develop the budget estimates for FYs 2000 and 2001 IS initiatives and organization structures. Ascertained whether guidance for a consistent methodology and review was available.

1. Interviewed Booz-Allen & Hamilton personnel and Transition Design Team members to determine whether budget formulation guidance for the Design Team methodology was developed and adequately communicated to the Design Team and Office of Information Resources Management (OIRM).

2. Obtained available Design Team documentation related to IS initiatives, projects, and significant operational changes to review the Booz-Allen & Hamilton methodology and interaction with Design Teams.

3. Obtained and reviewed December 1999 Chief Financial Officer (CFO) guidance on the use of business cases. Compared the CFO guidance with the OIRM guidance to the IS organization on use of business cases for IS budgeting to determine if IS guidance was sufficient.

C. Determined the evaluation and approval process for the OIRM, CFO directors, and IS executives for IS initiatives and operational changes.

D. Reviewed the IRS' zero-based budgeting guidelines to identify requirements for the FY 2001 budget cycle, including the rejection resolution process, and determined whether IS implemented zero-based budgeting guidelines for FY 2001 budget estimates.

II. To determine whether IS adequately accounted for all employees and their corresponding Full Time Equivalents (FTE),[1] contractors, space, and transition-related equipment, both before the transition and in the transition plans, and whether it requested sufficient funds for FYs 2000 and 2001 transition milestones, we:

A. Identified the process used by the OIRM to account for employees, contractors, space, and equipment before the transition.

B. Identified the OIRM's process to identify transition-related IS resources (FTEs, contractors, space, and related equipment) for both IS and non-IS employees being moved.

C. Determined the extent of IS' use of Memoranda of Understanding (MOU)[2] for transition-related changes.

1. Interviewed Centralization Design Team members to determine which situations during the transition required MOUs.
2. Identified all MOUs developed for both non-IS and IS employees who are being moved. Reviewed the MOUs and identified relevant budget information.

D. Determined whether MOUs accurately account for resources.

1. Obtained a Treasury Integrated Management Information System (TIMIS) extract of information containing all IS employees and other employees with a computer-related job series or job title for Calendar Year 1999, Pay Periods 19 and 20 (end of FY 1999 and beginning of FY 2000).
2. Reviewed MOUs to determine if resources (contractors, space, computer equipment, support staff) were included for IS and non-IS transitioning employees being moved.
3. Determined the process used by the OIRM to review the MOU and initiative information and assessed the adequacy of its review and consideration in the budget process.

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[1] A Full Time Equivalent (FTE) workyear is the planned use of 2,087 straight time paid hours in a fiscal year (to include authorized leave and paid time off for training).

[2] A high-level summary of a transition agreement between organizational divisions within the IRS.

E. Determined whether the OIRM accumulated and used adequate/accurate information to account for both current and future transition-related resources.

1. Interviewed OIRM staff and reviewed documentation to identify the process used by the OIRM for budget formulation, including how changes to the baseline are determined, documented, verified, and approved.

2. Determined if all IS employees were included in the Design Teams' organization charts by comparing these charts to TIMIS information. We used TIMIS information for Pay Period 19 (September 12 – 25, 1999).

F. Determined whether the appropriate documentation was completed to properly transfer to IS computers/equipment and space of non-IS employees being moved, as identified in the MOUs.

1. Verified the process used to change the responsible function in the following inventory systems:

   a. Equipment over $100 - Property Assets Tracking System.

   b. Automated data processing equipment - Integrated Network and Operations Management System.

   c. Space - Space Management and Rent Tracking System.

2. Determined whether the responsible function (per corresponding MOUs) for the equipment/space was correctly identified in the systems listed above when a change was to occur.

Appendix II

Major Contributors to This Report

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Scott A. Macfarlane, Director
Edward A. Neuwirth, Audit Manager
Glen Rhoades, Senior Auditor
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Appendix III

Report Distribution List

Deputy Commissioner Operations C:DO
Deputy Commissioner Modernization C:DM
Chief Financial Officer M:CFO
Chief Information Officer IS
Director, Office of Information Resources Management IS:IR
Director, Strategic Planning and Budget Division M:SPB
Team Leader, Information Systems Organization Modernization IS:SP
Director, Legislative Affairs CL:LA
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Office of Management Controls CFO:A:M
Office of Chief Counsel CC
National Taxpayer Advocate TA
Audit Liaisons:
- Chief Financial Officer M:CFO
- Chief Information Officer IS
- Business Systems Modernization Office B:E

Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to the Congress.

Finding and recommendation:
The Information Systems (IS) Fiscal Year (FY) 2000 and 2001 budgets did not include transition-related initiatives and changes (see page 3).

Transition team efforts included detailed research on best practices and benefit information for shared services organizations. However, the teams did not include cost considerations for transition initiatives during the Phase IIA or IIB planning. Business cases were not developed and costs were not considered for preliminary approval of transition-related initiatives and changes. Also, the Internal Revenue Service (IRS) transition planning process was not properly aligned with the budget cycle, and IS did not anticipate or allow for early identification of transition-related costs for inclusion in the budget formulation.

The absence of proper planning to provide sufficient funding for transition initiatives has resulted in:

- An immediate shortfall of IS funds that must be addressed to avoid potential Antideficiency Act[1] penalties.
- A potential inability to implement the transition initiatives due to inadequate funding.

The Director, Strategic Planning and Client Services (SP&CS), needs to provide direction ensuring inclusion of transition-related funding to allow IS to reach its goal of operating in a shared services structure.

1. To manage the potential FY 2000 budget shortfall, IS needs to ensure financial plan changes and inter-appropriation transfers are completed.
2. For future transition planning, the Director, SP&CS, should coordinate with transition team executives to attempt to align planning efforts with budget cycle requirements.

[1] The Antideficiency Act, U.S. Code: Title 31, Section 1341. This law regulates expenditures and transfers of resources between and among agency budget appropriations.

The Information Systems Organization Needs to Incorporate Transition Funding in Its Financial Plan

Type of Outcome Measure:
Protection of Resources/Reliability of Information - Potential

Value of the Benefit:
The Phase IIB transition team's Final Report included 24 change initiatives to facilitate the IS organization's transition to a shared services structure. The Phase IIB Final Report did not include associated costs for these initiatives. We were able to estimate budget requirements for 2 of these initiatives at $2.9 and $94.7[2] million for FYs 2000 and 2001, respectively. Budget formulation information was not available for 21 of the other 22 change initiatives,[3] some of which may not require additional funding. These initiatives are being approved without business case justification, which would include identifying costs, benefits, dependencies, and alternatives for the initiatives.

IS did not include additional funding or Full Time Equivalents (FTE)[4] for any of the above mentioned transition-related change initiatives in the budget submissions for FYs 2000 and 2001 or future years. Therefore, the submissions did not accurately reflect the operating costs of the IS organization. The deficiencies in the FYs 2000 and 2001 budget submissions are an estimated $2.5 and $9.8 million, respectively.

Methodology Used to Measure the Reported Benefit:
To determine the budget shortfall and cost of initiatives not adequately addressed in budget submissions, we identified the additional FTEs committed to the initiatives by interviewing Design Team members and reviewing Phase IIA and IIB Blueprints and Memoranda of Understanding. We then multiplied the number of FTEs by IRS unit cost rates for FYs 2000 and 2001.

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[2] $345,000 to fund 4 new management positions; $84.5 million for consolidating non-IS staff; and $9.8 million for SP&CS and Division Information Officer staffing.

[3] Cost information for one initiative was included in the April 1999 report "Desktop Analysis."

[4] A Full Time Equivalent (FTE) workyear is the planned use of 2,087 straight time paid hours in a fiscal year (to include authorized leave and paid time off for training).

Appendix V

Information Systems Organization Phase IIB Transition Initiatives

Initiative	***Start Date Calendar Year***	***Completion Date Calendar Year***
1.1 Implement Centralization of Information Systems Resources	2000	2000
1.2 Shared Services Implementation	2000	2002
1.3 Build Operations Organization	2000	2002
1.4 Build Information Resources Management Organization	2000	2000
1.5 Realign School of Information Technology	2000	2000
1.6 Build Strategic Planning and Client Services Organization	2000	2000
2.1 Implement Service Management	2000	2000
2.2 Implement Strategic Plan Development Process	2000	2001
2.3 Pilot and Implement Demand Management Process	2000	2002
2.4 Implement Customer Issue Management	2000	2000
3.1 Implement Workload Management	2000	2001
3.2 Restructure Testing	2000	2001
3.3 Improve Operations Processes	TBD*	TBD*
3.4 Implement Zero-based Customer Budgets	2000	2000
3.5 Implement Information Systems Communications Processes	2000	2000
3.6 Implement Competency-based Skills Management Program	2000	2000
3.7 Pilot and Implement Service Level Agreements	2000	2002
3.8 Implement Improved Service Request Tracking	2000	2001
4.1 Create Circuit/Services Database for Capacity Planning	2000	2000
4.2 Optimize Current Network	2000	2000
4.3 Eliminate Dedicated X.25 Network	2000	2001
4.4 Consolidate Tier II Systems	2000	2002
4.5 Streamline Account Maintenance and Migrate Responsibility to Enterprise Services and Asset Management	TBD*	TBD*
4.6 Complete Helpdesk and Desktop Initiatives	TBD*	TBD*

***** To be determined