BUSINESS SYSTEMS MODERNIZATION

Internal Revenue Service's Fiscal Year 2008 Expenditure Plan

Why GAO Did This Study

The Internal Revenue Service's (IRS) Business Systems Modernization (BSM) program is a multibillion-dollar, high-risk, highly complex effort that involves the development and delivery of a number of modernized systems that are intended to replace the agency's aging business and tax processing systems. As required by law, IRS submitted its fiscal year 2008 expenditure plan in August 2007 to congressional appropriations committees, requesting $235.8 million from the BSM account.

GAO's objectives in reviewing the plan were to (1) determine whether it satisfied the conditions specified in the law, (2) determine IRS's progress in implementing prior expenditure plan review recommendations, and (3) provide additional observations about the plan and the BSM program. To accomplish the objectives, GAO analyzed the plan, reviewed related documentation, and interviewed IRS officials.

What GAO Recommends

GAO recommends that the Commissioner of Internal Revenue direct the Chief Information Officer to complete a plan with specific time frames for implementing the initiatives supporting its information technology (IT) human capital strategy. In providing comments on a draft of this report, the Acting Commissioner agreed with the recommendation and outlined actions that IRS is planning to take to address it. IRS also provided technical comments.

To view the full product, including the scope and methodology, click on GAO-08-420. For more information, contact David A. Powner at (202) 512-9286 or pownerd@gao.gov.

What GAO Found

IRS's expenditure plan satisfies the conditions specified in the law. These conditions include meeting the Office of Management and Budget's capital planning and investment control review requirements and complying with federal systems acquisition requirements and management practices.

IRS has taken steps to address GAO's prior recommendations to improve modernization management controls and capabilities, including adding a new focus area to its Modernization Vision and Strategy and defining and beginning to implement an approach for developing a quantitative measure of progress in meeting project scope expectations. However, work remains to fully implement GAO's recommendations, including steps to complete the Modernization Vision and Strategy.

GAO's observations about the expenditure plan and the BSM program include the following:

- During 2007, IRS made progress in implementing BSM projects and in meeting cost and schedule commitments for most deliverables, but three project milestones experienced significant cost and schedule delays. Specifically, reported project costs and completion dates showed that 13 of the 14 associated project milestones that were scheduled for completion during this time were completed within 10 percent of cost estimates, and 11 of the 14 milestones were delivered within 10 percent of schedule estimates. However, a milestone for the Customer Account Data Engine (the new taxpayer information database) exceeded its planned schedule by 66 percent and experienced a 15 percent cost increase; another milestone for the same project incurred a 153 percent schedule delay, and a milestone for Modernized e-File (an electronic filing system) experienced a 41 percent schedule delay.

- IRS continues to make progress in addressing high-priority BSM program improvement initiatives. This program improvement process continues to be an effective means of regularly assessing, prioritizing, and incrementally addressing BSM issues and challenges. Key focus areas for high-priority initiatives recently included IT human capital and information security.

- Efforts are under way to address human capital challenges, but more work remains. IRS developed an IT human capital strategy that addresses hiring critical personnel, employee training, leadership development, and workforce retention, and stated that it plans to undertake a number of initiatives to support this strategy. However, a specific plan with time frames for implementing the initiatives has not been developed. Such a plan would help guide IRS's efforts in addressing IT human capital goals and would be useful in measuring progress in implementing the goals.

United States Government Accountability Office