



Highlights of [GAO-05-46](#), a report to congressional committees

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 information systems that are intended to replace the agency's aging business and tax processing systems. BSM funds are not available until IRS submits an expenditure plan that meets various conditions to congressional appropriations committees for approval. In January and July 2004, the Department of the Treasury submitted IRS's initial and revised fiscal year 2004 plans, respectively.

As required by law, GAO reviewed the plans to (1) determine whether the plans satisfied the conditions specified in the law, (2) determine what progress IRS had made in implementing our prior recommendations, and (3) provide any other observations about the plans and IRS's BSM program.

What GAO Recommends

GAO recommends that the Commissioner of Internal Revenue direct the Chief Information Officer to ensure that, after BSM projects are deployed, post-implementation reviews are performed that include an analysis of quantitative and qualitative investment data to determine, at a minimum, whether expected benefits were achieved. In commenting on a draft of this report, the Commissioner agreed with GAO's recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-05-46.

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

BUSINESS SYSTEMS MODERNIZATION

IRS's Fiscal Year 2004 Expenditure Plan

What GAO Found

IRS's initial (January 2004) and revised (July 2004) fiscal year 2004 expenditure plans, which requested about \$388 million for the BSM program, satisfied 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 made progress in implementing our recommendations to improve its modernization management controls and capabilities and in completing BSM projects that have benefited taxpayers and the agency. For example, IRS has implemented our prior recommendation to promptly update its enterprise transition strategy to conform to changes in the agency's enterprise architecture. In addition, IRS has deployed several modernized systems that provide benefits, including Modernized e-File Release 1, which provides electronic filing for large businesses and tax-exempt organizations.

Although progress has been made, GAO's previous recommendations on modernization management controls and capabilities related to configuration management, human capital management, cost and schedule estimating, and contract management have not yet been fully implemented or institutionalized. Weaknesses in these controls and capabilities have contributed, in part, to BSM project cost and schedule shortfalls.

GAO's observations on IRS's expenditure plans and the BSM program include the following:

- Projects continue to incur significant cost increases and schedule delays. In its revised fiscal year 2004 plan, IRS disclosed that key BSM projects have continued to experience cost and schedule shortfalls against prior commitments. For example, the total life cycle cost for full deployment of the initial release of IRS's new core accounting system has increased by almost \$74 million, and project completion has been delayed by 15 months. Reasons cited for the increases and delays include an inability to resolve key system design, integration, and performance issues in a timely manner.
- In-depth internal and independent assessments of the BSM program conducted during 2003 identified significant weaknesses and risks, consistent with our prior reviews. IRS developed 48 action issues to address the concerns raised by these program reviews and has taken actions to resolve them; however, most of the issues remain open.
- IRS has also performed post-implementation reviews on three deployed projects, but they were incomplete in that they did not include, for example, an analysis of actual versus planned benefits. Without such an analysis, IRS lacks important information about whether BSM projects are meeting expectations.