



Testimony

Before the Committee on Governmental Affairs
United States Senate

For Release
on Delivery
Expected at
9:30 a.m. EST
Thursday,
April 2, 1992

TAX SYSTEMS MODERNIZATION

Progress Mixed In Addressing Critical Success Factors

Statement of
Howard G. Rhile, Director
General Government Information Systems
Information Management and Technology Division



053984/146314

**TAX SYSTEMS MODERNIZATION:
PROGRESS MIXED IN ADDRESSING CRITICAL SUCCESS FACTORS**

Summary of Statement by Howard G. Rhile
Director, General Government Information Systems
Information Management and Technology Division

Last year we testified before this Committee that IRS' multibillion dollar Tax Systems Modernization program represents the agency's third attempt in the past quarter century to modernize the agency's antiquated tax processing systems.¹ We pointed out that IRS has come a long way and is in the best position it has ever been to succeed.

Eight factors remained, however, that IRS needed to address to help ensure the modernization's success. These factors were:

1. Development and integration of a vision of how IRS intends to do business in the future using the new technology.
2. Completion of key planning components.
3. Implementation of a project tracking mechanism.
4. Development of a strategy for dealing with technological readiness risks.
5. Improvement to the procurement process.
6. Better management of the systems development process.
7. Implementation of a strategy for hiring, training, and retaining managerial and technical staff.
8. Paying greater attention to security and privacy issues.

Today, we are reporting that IRS has made significant progress in addressing some of these critical success factors. The agency, for example, now has a clearly articulated business vision and a published final Design Master Plan for the modernization. It has developed a project tracking mechanism and is implementing it. IRS is currently developing a strategy for hiring, training, and retaining the expertise needed for carrying out the modernization and is giving priority attention to ensuring that security and privacy issues are appropriately addressed.

In spite of these and other improvements, however, we remain concerned about IRS' planning, technological readiness, and procurement and systems development processes. In the planning area, for example, a transition plan describing how business functions of IRS would change from the currently slow, largely manual way of operating to the modernization's more rapid electronic methods is still not developed. Although IRS recognizes that such a transition plan is needed, the agency has no timetable for its development and implementation.

¹Tax System Modernization: Attention to Critical Issues Can Bring Success (GAO/T-IMTEC-91-8, June 25, 1991).

We also remain concerned about IRS' plans to use "leading edge" technology as part of its modernized input processing strategy. The agency still lacks a comprehensive fallback position in the event this technology is not ready when needed.

And finally, in spite of improvements made in the management of procurement and systems development processes, problems continue. IRS, for example, missed opportunities to head off successful protests of its \$1.4 billion Treasury Multi-User Acquisition Contract procurement. These protests have so far resulted in delaying IRS' ability to meet certain hardware and other requirements of the modernization. In addition, lengthy delays in developing a new remittance processing system, known as CHEXS, were largely attributed to management's decision to not obtain vendor input on the scope and complexity of the proposed system prior to issuing a request for proposals and management's indecision concerning the system's requirements, costs, and benefits.

Ultimately, the success or failure of the modernization will rest on IRS' top management commitment to the program, including following through and making sure that each of these critical success factors are appropriately addressed.

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss the Internal Revenue Service's (IRS) progress in implementing its multi-year, multibillion dollar Tax Systems Modernization program. During testimony before this Committee last year, we laid out eight factors that we believed IRS needed to give attention to in order to help ensure the program's success. These factors were: a vision; complete plans to guide the modernization; a mechanism to track its progress; a strategy for dealing with technological risks; improvement to the procurement process; better management of the systems development processes; a strategy for hiring, training, and retaining managerially and technically competent personnel; and greater attention to security and privacy issues.

It may seem obvious that these factors are critical to the success of any major systems modernization program, yet as of last summer IRS was deficient in every one of them. Our purpose here today is to share with the Committee where IRS stands today relative to these eight factors. We also will share the results of our recently completed reviews of three procurements: (1) the causes of successful protests of the Treasury Multi-User Acquisition Contract (TMAC) award, (2) the legality of a noncompetitive award made by IRS to the MITRE Corporation, and (3) whether a software

documentation requirement associated with a new remittance processing system, known as the Check Handling Enhancements and Expert Systems (CHEXS), restricted competition.

At this time Mr. Chairman, I will describe the current status of IRS' efforts to address each of the factors as they are listed on the chart before you.

GAO Factors Critical to the Modernization's Success

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- Vision
 - Planning
 - Tracking Mechanism
 - Technological Readiness
 - Procurement Management
 - Systems Development
 - Managerial and Technical Expertise
 - Security and Privacy
-

Factor 1: Vision

Last year we reported to you that IRS needed to clearly define and communicate a vision of (1) how it intends to do business in the future and (2) how technology will be used to achieve this vision.¹ Such a vision is needed to help ensure IRS' modernization program does not fail. We also testified last June that IRS needed to obtain the Congress' concurrence in that vision as a means of helping the program survive organizational change.² This is especially important today, since IRS has just recently undergone yet another change at the top.

We are happy to report today that IRS now has a business vision and it is clearly stated in the agency's latest version of the modernization's Design Master Plan. In essence, IRS envisions dramatically reducing burden on taxpayers, generating substantial additional revenue through improved voluntary compliance, and achieving significant quality-driven productivity gains throughout the agency by the introduction of new technology.

¹ Tax System Modernization: An Assessment of IRS' Design Master Plan (GAO/IMTEC-91-53BR, June 25, 1991).

² Tax System Modernization: Attention to Critical Issues Can Bring Success (GAO/T-IMTEC-91-8, June 25, 1991).

Factor 2: Planning

Regarding the second factor, we reported last year that IRS needed to have key planning components in place to help ensure the successful development and implementation of the modernization program.³ IRS' Design Master Plan was to help serve this purpose. As of then, however, IRS had only a draft plan, and that plan had shortcomings because key planning components were not comprehensively addressed. . Foremost among these were the lack of a (1) complete strategy for how current and planned systems in the modernization were to be integrated, including standards to ensure they work together, and (2) transition plan describing how business functions of IRS would change from the currently slow, largely manual way of operating to the modernization's more rapid electronic methods. We reported that, with these shortcomings, IRS risks

- acquiring and implementing information systems that would not effectively integrate with each other or with existing systems, resulting in inefficiently using scarce resources, and
- prematurely replacing existing systems before the modernization capabilities became fully operational.

³ GAO/IMTEC-91-53BR, June 25, 1991.

We believe IRS should be further along in its planning for the modernization, because significant initiatives are already underway, including the installation of hardware and software components. Through fiscal year 1992, the agency will have spent nearly \$1 billion for modernization activities and expects annual expenditures to exceed \$1 billion over the next several years.

Although IRS has finalized and published its Design Master Plan, we remain concerned over the agency's limited progress in completing other crucial planning components. The development of a strategy for integrating all modernization projects, for example, is only in the planning stage and a time frame for its preparation and completion has not been established. With respect to transition planning for its business operations, IRS agreed that it needed to prepare a transition plan for getting to its new way of doing business using state-of-the-art technology. At this time, however, IRS has made no progress in the development of this key planning component.

Factor 3: Tracking Mechanism

Last June we testified that IRS needed to develop a tracking mechanism for the program's costs, benefits, and schedules and more clearly define accountability for

modernization projects.⁴ We are happy to report that IRS has made significant progress relative to this factor. The agency has developed a tracking mechanism to monitor the modernization's progress. Specifically, projects are tracked against their original, i.e., baseline, estimates of costs, benefits, and schedules. IRS, to date, is tracking 24 projects using this mechanism.

Regarding accountability, the Design Master Plan now contains development milestones for each major modernization project and a matrix specifying which IRS organizational component is to be held responsible for the success or failure of specific modernization projects.

Factor 4: Technological Readiness

The fourth factor relates to technological readiness. As a central part of the modernization, IRS hopes to eliminate paper files by using imaging technology to electronically capture and then optically read the data on paper tax returns and other documents when they are received. IRS intends to work with the information entirely electronically. During our testimony in this area last year, we expressed concern that the required technology may

⁴ GAO/T-IMTEC-91-8, June 25, 1991.

not be available when needed for the modernization and that IRS needed a fallback position.⁵

Our recent work in this area further confirms these concerns. At the request of the Chairman, Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations, we have been examining selected aspects of IRS' input processing initiative, an initiative that heavily relies on using this leading edge technology. Our work so far indicates that the optical character recognition systems to be used must be able to quickly and accurately read handwritten and machine printed characters on a variety of forms. This technology is just now being pilot-tested at several organizations throughout the nation. It is not a mature technology and, although research is continuing, it is difficult to predict when handwritten optical character recognition will become commonplace in large systems. In this connection, IRS' implementation would be much larger and more complex than any use of this technology to date by anyone. Using the technology prematurely runs the risks of (1) high error rates that necessitate frequent operator intervention, (2) propagation of errors in downstream processing, (3) delays in returns processing, and (4) high costs relative to benefits.

⁵ GAO/T-IMTEC-91-8, June 25, 1991.

Our work further shows that IRS continues to lack a comprehensive fallback position. By this we mean a strategically prioritized mix of alternatives if this technology does not perform adequately. In essence, IRS plans to resort to manual data entry as a contingency if optical character recognition is unavailable.

One alternative, as part of this strategic mix, could be earlier expansion of electronic filing of tax returns.⁶ According to the Design Master Plan, electronic transactions are "the most efficient way for the IRS to receive data...." IRS began electronic filing in 1986 and it is now available nationwide through commercial tax preparers. The agency expects to receive 11 million returns electronically this year and 25 million annually by the mid-1990s. The existing electronic filing system, however, is based on older technology, and given its restricted accessibility, its growth potential is limited. IRS plans to modernize and expand electronic filing, but implementation is not planned until 1999, three years after IRS expects to begin implementing extensive optical character recognition.

⁶ IRS is also testing, this filing season, a telephone-based system for filing simple tax returns.

Factor 5: Procurement Management

The fifth critical success factor is the need for IRS to dramatically improve its management of procurements. Proper direction and control of procurement activities are absolutely crucial for the success of the modernization program. According to IRS, planned acquisitions to support the modernization program during the next 5 years alone will total nearly \$4.5 billion.

Planned Acquisitions: 1993 to 1997
(1992 dollars, in millions)

| <u>Fiscal Year</u> | <u>Acquisition Amount</u> |
|--------------------|---------------------------|
| 1993 | \$ 517.6 |
| 1994 | 796.4 |
| 1995 | 996.8 |
| 1996 | 1,153.0 |
| 1997 | <u>1,008.1</u> |
| Total | <u>\$4,471.9</u> |

Last year, before this Committee, we described how, in recent years, IRS has been criticized for its inability to adequately direct and control procurement processes.⁷ As a result of the criticism, in 1990, IRS had reported its procurement process as a material weakness under the Federal Managers' Financial Integrity Act (FMFIA) requirements.

⁷ GAO/T-IMTEC-91-8, June 25, 1991.

IRS, however, is making progress in this area. For example, on September 30, 1991, it completed the last two of five initiatives aimed at strengthening controls needed to ensure compliance with established procurement policies and procedures.⁶ As a result of these initiatives, IRS is no longer reporting its procurement process as a material weakness under FMFIA.

Despite these improvements, problems remain. For example, in three reports we are releasing today, we point out that:

- The Treasury Multi-User Acquisition Contract (TMAC), the largest to date of all the modernization procurements--\$1.4 billion--was protested last year. Vendor protests were successful because IRS' price-technical tradeoff analysis was insufficient to support award to a vendor whose price was \$700 million higher than that of the lowest bidder. As a result of these successful protests, IRS' ability to adequately meet the needs of the modernization has been hampered. In our recently completed review of the TMAC

⁶ These included, in chronological order (1) completing a management review of IRS' Contracts and Acquisitions Division, (2) appointing an Assistant Commissioner for Procurement, (3) conducting a continuing professional education program, (4) delegating increased procurement authority to field offices, and (5) developing a customer satisfaction standard for small purchases and issuances of delivery orders.

procurement, we report that IRS missed opportunities in the pre-award period of the procurement to preclude the successful protests.⁹ On March 20, 1992, following an additional analysis that IRS conducted as a result of the General Services Board of Contract Appeals' ruling on the protests, IRS confirmed its initial award of this contract. However, on March 30, 1992, IRS informed us that TMAC was again protested.

-- Because of delays in establishing a Federally Funded Research and Development Center to conduct research and provide advice on technical aspects of the modernization, IRS is now likely to renew its current management contract with the MITRE Corporation later this spring. In our recently completed report, we point out that IRS' current contractual arrangement with MITRE was a follow on to an earlier noncompetitive award in May 1990 that violated the Competition in Contracting Act.¹⁰

-- In a third report which we are releasing today, we note that a clarification of IRS' software

⁹ Tax Systems Modernization: IRS Could Have Avoided Successful Protests of Major Computer Procurement (GAO/IMTEC-92-27, Mar. 13, 1992).

¹⁰ Tax Systems Modernization: IRS Award to MITRE Corporation Violated the Competition in Contracting Act (GAO/IMTEC-92-28, Mar. 12, 1992).

documentation requirement made for the CHEXS procurement should be similarly made for other modernization procurements. This requirement states that any application software developed for and to be maintained by IRS must be documented according to the agency's internal software standards and guidelines. Such clarification could help prevent problems with future procurements.¹¹

Last June we also testified that IRS needed qualified contract personnel to ensure that IRS carries out and administers its modernization procurements efficiently, effectively, and in compliance with applicable laws and regulations.¹² IRS' goal has been to increase its procurement staff by about 81 percent for a total of 308 by August 1992. We pointed out, however, that IRS had attrition problems, which had tended to dilute any improvements made in hiring qualified procurement specialists.

As of March 1992, IRS had increased its overall procurement staff by 69, to a total of 239. It appears that many of the staff hired in the last year, particularly the contract

¹¹ IRS Procurement: Software Documentation Requirement Did Not Restrict Competition (GAO/IMTEC-92-30, Mar. 2, 1992).

¹² GAO/T-IMTEC-91-8, June 25, 1991.

administrators and specialists, have extensive government procurement experience. Attrition has also slowed compared to what we reported last year.¹³ So far this fiscal year, IRS has hired 41 people for the procurement function while only 7 have left. Last year 65 were hired and 26 left.

Still, IRS has a way to go to accomplish its procurement hiring goals. The agency now believes its goals will not be achieved until October 1992.

Factor 6: Systems Development

The sixth factor is a need for IRS to better manage its overall systems development process. Without careful, disciplined development, systems are unlikely to meet agency needs and are not likely to be delivered within budgeted costs or on schedule. The systems often are canceled before completion, fail to satisfy user requirements, or are expensive to maintain. During our testimony last year before this Committee, we identified a number of systems development projects that ran into trouble.¹⁴

¹³ GAO/T-IMTEC-91-8, June 25, 1991.

¹⁴ GAO/T-IMTEC-91-8, June 25, 1991.

For example, in a report we issued to this Committee last year,¹⁵ we pointed out that the testing plan that had been developed in connection with the Taxpayer Services Integrated System project would not provide IRS with the conclusive information it needed to make a deployment decision and that further testing would be needed. This project employed the use of automation to improve the accuracy of information provided taxpayers who call IRS. The project has since been canceled for two reasons: (1) as we predicted, the test data had flaws and were inconclusive, and (2) the project did not demonstrate sufficient benefits to warrant its deployment. Essentially, the nonautomated methods of performing taxpayer services were found to be more cost effective than automated methods. IRS has since decided to explore another method, using telephone voice response systems, to improve the efficiency and effectiveness of the taxpayer services.

IRS seems to have in place a good framework for managing its systems development projects. As we testified last June, this framework includes the use of a project management guide that contains procedures and policies

¹⁵ Tax System Modernization: Further Testing of IRS' Automated Taxpayer Service Systems Is Needed (GAO/IMTEC-91-42, June 20, 1991).

project managers are to follow as well as several oversight mechanisms to ensure projects are effectively managed.¹⁶

These mechanisms include use of a high-level body known as the Information Systems Policy Board, which is chaired by IRS' Chief Information Officer. This Board reviews and authorizes the initiation and continuation of large modernization projects. Information Systems Control Groups are also formed to oversee and analyze individual projects. These groups make recommendations to the policy board after assessing interrelationships between projects, delivery schedules, quality factors, and budgets. Each project has a sponsor who is the assistant commissioner of the organization in which the project is located. Sponsors receive periodic reports and they support their projects at control group and policy board meetings. Each project also has a project manager who is responsible for day-to-day management and a user group that is involved in the project's development from initial planning to final testing. In addition, IRS is planning to have a consulting firm conduct reviews of selected modernization projects to identify any potential problems.

Despite this management framework, problems remain. An example is IRS' management of the CHEXS project. This

¹⁶ GAO/T-IMTEC-91-8, June 25, 1991.

project was initiated in 1984 to develop a system to process tax remittances more efficiently and effectively. After 8 years, the contract for developing this system still had not been awarded, and IRS decided to cancel the project. As a result, a remittance processing system of the type envisioned by CHEXS will be delayed further. (See app. I for a chronology of the CHEXS project.)

On the basis of our review of the project for the Committee, we believe the following factors contributed significantly to the delays encountered:

- a decision to issue a request for proposals without an earlier request for comments from vendors on the scope and complexity of the proposed system;
- indecision concerning the technical requirements for the system; and
- failure to resolve in a timely fashion uncertainties over the costs and benefits of the project.

Factor 7: Managerial and Technical Expertise

The seventh factor is the need for IRS to have a well thought out strategy for hiring, training, and retaining personnel possessing the managerial and technical expertise required for the modernization. This has been a problem for IRS in the past. We have previously reported that a

lack of continuity and leadership led, at least in part, to the demise of one of IRS' earlier attempts at modernization and noted that many project managers do not serve for the duration of a project's development.¹⁷ We have also reported that past projects have been hampered by a lack of technical expertise.

Last year we reported that IRS' Design Master Plan for the modernization did not contain a strategy for hiring, training, and retaining the managerial and technical staff needed to carry out the modernization.¹⁸ Such a strategy was critical in light of past problems and because the master plan called for significant increases in qualified staff. The challenges of the modernization require that this staff include a high percentage of individuals with strong technical skills. Modernization projects will be at risk if IRS cannot obtain skilled individuals when needed.

IRS is not having any difficulty in achieving its hiring goal in the systems development area and, in fact, the agency has hired 328 personnel in this area since the beginning of fiscal year 1991. IRS has also drafted an overall technical expertise strategy, known as the

¹⁷ Tax System Modernization: IRS' Challenge for the 21st Century (GAO/IMTEC-90-13, Feb. 8, 1990).

¹⁸ GAO/IMTEC-91-53BR, June 25, 1991.

Executive and Management Technical Expertise Strategy and Action Plan. The strategy includes provisions for training on-board staff to enhance their technical expertise and identify (1) technical skills needed in future phases of the modernization's implementation and (2) gaps between the technical skills IRS has on board versus those needed. In this connection, IRS expects to have significant additional software development needs between fiscal years 1994 and 1997.

Factor 8: Security and Privacy

The eighth factor, Mr. Chairman, relates to the need for IRS to comprehensively address privacy as well as security aspects of the modernization. When we testified last June, we pointed out that while IRS' Design Master Plan recognized the need for developing security features that should help protect taxpayers' privacy, the plan did not cover privacy as a discrete issue or show how it will be addressed.¹⁹ This was a serious omission, especially in view of the fact that the agency intends to allow public access, under certain circumstances, to some of its systems.

¹⁹ GAO/T-IMTEC-91-8, June 25, 1991.

IRS has since made progress relative to this factor. The agency, in developing its architecture--the blueprint for the tax processing system modernization--has identified the relevant requirements for securing the privacy of tax return and taxpayer information. A component of the overall tax processing system is a security architecture that describes the environment within which to best protect information in IRS files from deliberate or accidental compromise. IRS also recognizes that it needs to do more in the area of identifying and countering vulnerabilities with state-of-the-art and emerging technological capabilities. To this end IRS has initiated a privacy project to inventory and catalogue data bases throughout IRS containing tax return and taxpayer information, identify existing privacy protections, and highlight where needs exist to improve security and protection over tax information.

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This concludes my statement, Mr. Chairman. We will be happy to respond to any questions you or other members of the Committee may have at this time.

CHECK HANDLING ENHANCEMENTS AND EXPERT SYSTEMS
(CHEXS): PROJECT CHRONOLOGY

| | |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| October 17, 1984 | The need for a more effective and efficient remittance processing system was identified and procurement studies began. |
| June 12, 1987 | Procurement studies, including a requirements analysis package, were completed. |
| November 2, 1987 | IRS sent an agency procurement request for CHEXS to the Treasury Department. |
| December 24, 1987 | The General Services Administration (GSA) signed the delegation of procurement authority. |
| Spring 1988 | IRS determined that an amended delegation of procurement authority was needed because of significant changes to the CHEXS requirements. |
| August 5, 1988 | <p>IRS prepared a summary of changes to be made to the original CHEXS requirements. The changes included:</p> <ol style="list-style-type: none"> 1) The expected mix of documents that CHEXS was to process changed from mostly voucher-sized documents to mostly 8.5 x 11 inch documents. The original delegation of procurement authority was based on a proposal to redesign tax forms to include tear-off stubs that would be processed with the associated remittance by CHEXS. This proposal was not approved because IRS could not redesign the tax form packages in a way that was acceptable to the Postal Service and because of anticipated processing problems within IRS' 10 service centers. 2) An 11th site (IRS' national office) was to be added. 3) The system and contract lives were to be extended from 5 to 7 years. <p>As a result of these changes, the estimated cost of the contract nearly doubled. In addition, IRS decided to not issue a request</p> |

for comments, as originally planned. The estimated date for awarding the contract was changed from April 15, 1989, to November 15, 1989.

October 31, 1988 IRS delivered an amended agency procurement request to the Treasury Department.

January 5, 1989 Through the Treasury Department, IRS received an amended delegation of procurement authority from GSA.

January 19, 1989 Agreement was reached within IRS to transfer the CHEXS project from IRS' Returns Processing organization to its Information Systems Development organization. (According to an IRS official, the transfer occurred during the summer of 1989.)

Winter/Spring 1989 During this period, IRS was developing the request for proposals (RFP) and other documents for the procurement. There were numerous delays in issuing the RFP, due, in part, to the failure of groups within IRS to attend scheduled meetings.

June 12, 1989 A synopsis of the CHEXS procurement was published in the Commerce Business Daily.

June 30, 1989 IRS sent a draft RFP to the Treasury Department.

Summer 1989 The draft RFP was revised to respond to comments and concerns of various reviewers within IRS and Treasury.

August 15, 1989 A re-synopsis of the RFP was published in the Commerce Business Daily.

September 29, 1989 The RFP was issued. (Between December 1989 and May 1990, the RFP was amended several times in response to questions from vendors and for other reasons.) The due date for receiving technical proposals was May 29, 1990.

May 8, 1990 A vendor that had shown interest in CHEXS informed IRS that it would not submit an offer. The vendor stated that the

- requirements dictated a custom-developed solution that raised the costs of conducting a required pre-award operational capability demonstration to an unacceptable level. One of the requirements cited by the vendor as being difficult to solve was the requirement to process 8.5 x 11 inch documents.
- May 10, 1990 A second vendor informed IRS that it would not submit an offer. This vendor stated that it could not form a team of vendors to submit an offer. This vendor also noted the complexity of IRS' requirements, specifically citing the requirement to process 8.5 x 11 inch documents.
- May 15, 1990 A third vendor informed IRS that it would not submit an offer. This vendor cited the high degree of custom software needed to perform a required operational capability demonstration, throughput requirements, as well as other factors.
- May 23, 1990 A fourth vendor informed IRS that it would not submit an offer. This vendor complained primarily about the software documentation requirements that were clarified by IRS in an April 1990 amendment to the request for proposals, stating that it changed the focus of the procurement from an off-the-shelf to a customized solution. We discuss this issue in our report, IRS Procurement: Software Documentation Requirement Did Not Restrict Competition (GAO/IMTEC-92-30, March 2, 1992).
- May 29, 1990 The due date for receipt of technical proposals. (The actual number of proposals received is considered procurement sensitive information.) IRS was disappointed in the response to the RFP.
- June 1990 IRS evaluated the CHEXS requirements to determine whether the requirements were unduly restrictive. IRS determined that the requirements in the RFP met its minimum needs and were not unduly restrictive.
- June 28, 1990 Due date for receipt of price proposals. No proposals were received that were within the

- limits of the delegation of procurement authority.
- November 9, 1990 The Chief Information Officer of IRS advised the Treasury Department that the award of the CHEXS contract would be delayed from the first quarter of fiscal year 1990 to the second quarter of fiscal year 1991.
- November 1990
to May 1991 IRS' initial technical review showed that technical proposals received were unacceptable, but susceptible to being made acceptable. Numerous technical proposals were submitted during the period. Efforts focused on obtaining an acceptable technical proposal, which was achieved on May 6, 1991.
- June 17, 1991 IRS determined that, based on acceptable technical proposals received, the amount of the CHEXS contract would be substantially higher than the amount of the delegated procurement authority.
- August 6, 1991 The contracting officer requested IRS attorneys' views on whether contemplated changes in the CHEXS requirements would necessitate a reopening of the solicitation. One of the changes contemplated was a change in the mix of voucher and 8.5 x 11 inch documents to be processed.
- September 3, 1991 IRS attorneys responded to the August 6th request. They indicated that if the mix of voucher and 8.5 x 11 inch documents was changed, and the solicitation was not reopened to competition, the risk of a protest would be high.
- September 24, 1991 IRS amended the RFP to reduce certain requirements, which did not involve a change in the mix of voucher and page-sized documents, and incorporate progress payments into the solicitation. The effect of the amendment was to significantly reduce costs.
- October 23, 1991 Based on best and final offers received, IRS determined that the cost of CHEXS would exceed the delegated procurement authority.

IRS' Chief Information Officer forwarded a request for an increased procurement authority to the Treasury Department.

Winter 1991-92

IRS reexamined its remittance processing requirements, in particular the requirement to process 8.5 x 11 inch documents as compared to moving to a voucher system.

January 28, 1992

IRS published a notice in the Commerce Business Daily announcing its intention to amend the CHEXS solicitation to reflect its current requirements. Changes include 1) site tailoring systems to individual service centers, 2) removing the requirement to process 8.5 x 11 inch documents, 3) including a requirement to process 100 percent of voucher-size documents as well as 100 percent of documents received with credit card remittances.

March 23, 1992

IRS canceled the CHEXS RFP and notified the vendor, accordingly. IRS explained that because the requirements changed, other vendors were now interested in submitting proposals. Because continuing the procurement would have limited competition, IRS canceled the solicitation. The agency plans to issue a new solicitation that adds some requirements and deletes others, principally the requirement to process 8.5 x 11 inch documents. According to IRS, the system will be renamed--the Integrated Cash Management System.

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