



Highlights of [GAO-03-768](#), a report to congressional committees

Why GAO Did This Study

As required by law, the Internal Revenue Service (IRS), in November 2002 and March 2003, submitted to the congressional appropriations committees its initial and revised fiscal year 2003 expenditure plans, respectively, requesting about \$378 million for the Business Systems Modernization (BSM) program.

GAO reviewed the plans to (1) determine whether the plans were prepared in accordance with the law, (2) determine what progress IRS had made in implementing modernization management controls and capabilities, 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 (CIO) to continue improvements in IRS's modernization management controls. GAO also recommends that the Commissioner direct the CIO to promptly update the enterprise transition strategy to conform to other changes in IRS's enterprise architecture and establish and implement a process for determining the type of task order to be awarded in acquiring modernized systems. The Commissioner agreed with GAO's findings and commented on actions to address the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-768.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robert F. Dacey at (202) 512-3317 or daceyf@gao.gov.

BUSINESS SYSTEMS MODERNIZATION

IRS Has Made Significant Progress in Improving Its Management Controls, but Risks Remain

What GAO Found

IRS's initial (November 2002) and revised (March 2003) fiscal year 2003 expenditure plans were prepared in accordance with the law. IRS made significant progress in improving its modernization management controls and capabilities and implementing GAO's recommendations. For example:

- IRS implemented 20 of 23 commitments and is implementing the remaining 3 commitments that address previously reported weaknesses and recommendations. Significant among these efforts were IRS's achievements in improving its software acquisition practices.
- IRS deployed 3 modernized systems that are currently providing benefits that (1) improve telecommunications infrastructure, including telephone call management, call routing, and customer self-service; (2) provide off-the-shelf software to IRS revenue agents to allow them to accurately compute complex corporate transactions; and (3) improve customer self-service by providing instant refund status information and instructions for resolving refund problems via the Internet.
- IRS also took steps to balance the scope and pace of the BSM program with the management capacity of IRS and its prime contractor. These steps included reassessing the portfolio of projects that IRS had planned to proceed with during the remainder of fiscal year 2002 and reducing the planned scope and pace of the BSM program for fiscal year 2003.

Although significant progress has been made, certain controls and capabilities for modernization have not yet been fully implemented, including human capital management and validation of cost and schedule estimates. Weaknesses in these controls and capabilities contributed, in part, to cost, schedule, and performance shortfalls in the BSM program. For example, in the revised fiscal year 2003 expenditure plan, IRS disclosed that 75 percent of program-level initiatives and acquisition project milestones had cost increases and/or schedule delays exceeding 10 percent of the estimated cost and duration specified in the fiscal year 2002 expenditure plan. Schedule delays affect the delivery of benefits. For example, (1) the opportunity for Form 1040EZ filers to enjoy faster refunds, as promised by the first release of the project that is to replace IRS's master files of taxpayer information, has been delayed for an additional 13 months and (2) schedule delays for the first release of the e-Services project will defer the provision of easy-to-use electronic products and services targeted at tax practitioners who inform, educate, and provide services to the taxpaying public.