



Highlights of [GAO-05-774](#), 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 intended to replace the agency's aging business and tax processing systems. As required by law, IRS submitted its fiscal year 2005 expenditure plan in April 2005 to congressional appropriations committees, requesting about \$203 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 what progress IRS had made in implementing our prior recommendations, and (3) provide any other observations about the plan and IRS's BSM program.

What GAO Recommends

GAO recommends that the Commissioner of Internal Revenue fully revisit the vision and strategy for the BSM program and develop a new set of long-term goals, strategies, and plans that are consistent with IRS's budgetary outlook and management capabilities. In providing comments on a draft of this report, the Commissioner agreed with GAO's findings and described actions IRS is taking to address GAO's recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-05-774.

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

Internal Revenue Service's Fiscal Year 2005 Expenditure Plan

What GAO Found

IRS's fiscal year 2005 expenditure plan, which requested about \$203 million for the BSM program, 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 made progress in implementing GAO's recommendations to improve its modernization management controls and capabilities. However, certain controls and capabilities related to configuration management, human capital management, cost and schedule estimating, contract management, and post-implementation reviews have not yet been fully implemented or institutionalized. Weaknesses in these controls and capabilities have contributed, at least in part, to project cost and schedule shortfalls.

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

- During the past year, IRS has made progress implementing BSM, but much work remains. While IRS has deployed initial versions of several modernized tax processing and business systems, these deliveries only represent the initial steps toward modernization. For example, initial deliveries of the Customer Account Data Engine (CADE) project will process less than 1 percent of all tax returns filed this year.
- IRS has not met long-term cost and schedule estimates, but its new incremental approach contributed to short-term improvements. In the second quarter of fiscal year 2004, systems modernization projects were rebaselined, and IRS adopted a new strategy to develop and deploy more manageable project segments. Since that time, IRS has met its short-term cost estimates and delivery dates for the initial releases of CADE and the Custodial Accounting Project. However, concerns remain about IRS's ability to continue meeting cost and schedule targets.
- IRS has made progress toward addressing issues raised in independent BSM assessments and implementing program improvement initiatives, but high-priority issues and challenges remain in areas such as quality assurance, the change request process, and integrated schedule and baseline management.
- The BSM vision and strategy need revision in order to clearly show what the modernization program will consist of, when it will be completed, and at what cost. For example, the latest modernization strategy referenced in an expenditure plan dates back to fiscal year 2002, and its planned delivery dates no longer reflect reality.