



COMMISSIONER

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224


February 9, 2000

OFFICE OF TREASURY  
INSPECTOR GENERAL  
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FOR TAX ADMINISTRATION

MEMORANDUM FOR TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

FROM: Charles O. Rossotti   
Commissioner of Internal Revenue

SUBJECT: Response to Draft Audit Report – Improved Project Management  
Is Needed To Ready Personal Computers for the Year 2000

Thank you for giving me the opportunity to review and comment on your draft report and recommendations concerning needed project management improvements to ready our personal computers (Tier III) for the Year 2000.

The Year 2000 (Y2K) Program at the Internal Revenue Service (IRS) is a top priority for the agency as well as a personal priority for me. In your November draft report, you noted several aspects of the Y2K Program that can be improved.

Among your concerns is the accuracy of our inventory of personal computers. Although IRS has made many efforts to improve the quality of the information in the corporate inventory system, we continue to have serious problems which we are addressing through the Executive Steering Committee (ESC). As a result, the Chief Information Officer now has responsibility for the accuracy of IRS' information technology inventory. We have included additional information about our efforts to improve the technology inventory, as well as our actions in response to your other recommendations, in the attached response.

If you have any questions, please call Paul Cosgrave, Chief Information Officer, at (202) 622-6800, or have a member of your staff call David Junkins, Director, Office of Information Resources Management, at (202) 283-4060, or Barry Herrmann, Chief, Office of IS Program Oversight, at (202) 283-7698, as appropriate.

Attachment

cc: Associate Inspector General for Audit (Information Systems Programs)  
Director for Legislative Affairs

**Management Response to Draft Audit Report – Improved Project  
Management Is Needed To Ready Personal Computers for the Year 2000**

**Recommendation #1**

IS management should re-establish the Tier III dashboard and include all mission critical systems so that they can be closely tracked.

**Assessment of Cause**

As of April 1999, the Tier 3 Office did not track the overall status of Tier 3 conversion progress or the Tier 3 portion of some mission critical systems. The Tier 2 Program Office was doing this for Tier 2.

**Corrective Action #1**

The IRS agrees with the finding but rejects the recommended action and has taken appropriate actions to address the finding. Information Systems (IS) manages Tier 3 systems differently than Tier 2. The Tier 2 and Tier 3 paradigms are not the same. Tier 3 systems are more extensive and not as contiguous. Tier 3 platforms are not tied to a system and can be moved around. IS has found that the best tools to track progress are various matrices and metrics it now uses on a weekly basis to track progress. With these, IS has captured all Commercial Off-the-Shelf (COTS) products used to support each Tier 3 mission critical application. IS distributes End User Computing Inventory Analysis Reports to executives on a weekly basis. The weekly CDC Information System Progress Report contains "Status of Tier 3 Action Items" and "Tier 3 Inventory Analysis" which are reviewed at the weekly Century Date Change Information System Progress Report meetings. Tier 3 publishes detailed COTS software and hardware testing reports both electronically and in hard copy. Working with system owners in transition to standard products, Tier 3 internally tracks the mission critical systems and associated COTS software.

**Implementation Date of Corrective Action #1**

**Completed:** Not applicable.

**Proposed:**

**Responsible Officials for Corrective Action #1**

Chief Information Officer IS  
Deputy Chief Information Officer (Operations) IS  
Director Field Operations Division IS:F  
Director, End User Computing Support Division IS:F:E

**Corrective Action #1 Monitoring Plan**

Not Applicable.

**Management Response to Draft Audit Report – Improved Project  
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**Recommendation #2**

IS management should finalize the decision regarding what non-standard software will be tested and ensure the testing is performed timely.

**Assessment of Cause**

Information Systems (IS) management had not decided which non-standard software, such as certain word processor and spreadsheet programs, were going to be converted as the July 31, 1999, deadline approached.

**Corrective Action #2**

IS has finalized the decision and published a complete listing of non-standard software to be tested electronically and in hard copy.

**Implementation Date of Corrective Action #2**

**Completed:** December 1, 1999

**Proposed:**

IS finalized the decision on non-standard software.

**Responsible Officials for Corrective Action #2**

Chief Information Officer IS  
Deputy Chief Information Officer (Operations) IS  
Director Field Operations Division IS:F  
Director, End User Computing Support Division IS:F:E

**Corrective Action #2 Monitoring Plan**

Not Applicable.

**Management Response to Draft Audit Report – Improved Project Management is Needed To Ready Personal Computers for the Year 2000**

**Recommendation #3**

IS management should implement an effective methodology to ensure that software testing that needs to be done is completed and the results are communicated to all users, and that all users make the necessary changes.

**Assessment of Cause**

Information Systems (IS) had not completed all software testing. Some users were not aware of testing results.

**Corrective Action #3**

IS management has implemented an effective methodology to ensure that software testing of Tier III COTS products is completed before the end of the year. IS has placed all software into a high, medium, or low risk category. IS has tested all software in the current inventory positioned as high and medium risk, and continues to test low-risk software and new receipts. Of 618 COTS software products tested, 529 have completed Compatibility Testing. Users have been advised that any software that did not successfully complete Step 3 (Impact Analysis) of the Y2K compliance process by November 30, 1999, must be removed from the computer or the computer on which it resides must be isolated from the IRS network as a standalone device no later than December 7, 1999.

IS posts testing and compliance status for all IRS COTS software products to the Tier 3 web site (<http://cots.adc.swr.irs.gov/tier3>) and discusses progress in weekly Tier 3 teleconferences with Y2K coordinators.

**Implementation Date of Corrective Action #3**

**Completed:** December 1, 1999

**Proposed**

A tracking mechanism, milestones, and scheduling mechanism was established on the Tier 3 web site.

**Management Response to Draft Audit Report – Improved Project  
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**Responsible Officials for Corrective Action #3**

Chief Information Officer IS  
Deputy Chief Information Officer (Operations) IS  
Director Field Operations Division IS:F  
Director, End User Computing Support Division IS:F:E

**Corrective Action #3 Monitoring Plan**

Not Applicable.

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**Recommendation #4**

Information Systems (IS) management should sample test similarly configured workstations (software and hardware) after software/hardware installations and Y2K conversions to ensure that laboratory results are achieved in the field.

**Assessment of Cause**

IS had no plan to field test personal computer workstations in their operating environment after new hardware and software installations.

**Corrective Action #4a**

SRA, International and other contractors have conducted systems testing on workstations. Contractors have conducted tests on individual and integrated workstations at the Martinsburg Computing Center and at Field User Computer Labs. Independent Audit and Readiness Verification (IARV) Support Teams have confirmed that systems are working in the field and are not at risk. The IARV teams have sampled the configuration of approximately 500-1000 workstations. In addition, rollover tests were conducted during rollover weekend on a sample of workstations, and the remaining workstations will be checked as business resumes during filing season.

**Implementation Date of Corrective Action #4a**

**Completed:** January 1, 2000  
IARV completed.

**Proposed:**

**Responsible Officials for Corrective Action #4a**

Chief Information Officer IS  
Deputy Chief Information Officer (Operations) IS  
Director Field Operations Division IS:F  
Director, End User Computing Support Division IS:F:E

**Corrective Action #4a Monitoring Plan**

Not Applicable.

**Management Response to Draft Audit Report – Improved Project  
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**Corrective Action #4b**

Product Assurance conducted End-to-End testing through December 1999.

**Implementation Date of Corrective Action #4b**

**Completed:** January 1, 2000      **Proposed:**  
End-to-End testing completed.

**Responsible Officials for Corrective Action #4b**

Chief Information Officer IS  
Deputy Chief Information Officer (Systems) IS  
Director, Product Assurance IS:PA

**Corrective Action #4b Monitoring Plan**

Not Applicable.

**Management Response to Draft Audit Report – Improved Project  
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**Recommendation #5**

IS management should renew efforts to validate the Tier III inventory to ensure that procurements and conversions are based on complete and reliable information.

**Assessment of Cause**

Tier 3 inventory accountability and validation procedures were not standardized across the IRS.

**Corrective Action #5**

Information Systems (IS) implemented the wall-to-wall inventory reconciliation process to include validation of Tier 3 inventory and reconciliation with INOMS on August 2, 1999. Wall-to-Wall inventory teams are currently conducting inventories and reconciling Integrated Network and Operations Management System (INOMS) inventory data. Dedicated inventory teams will complete the IRS critical site inventories and reconciliation by April 1, 2000. The Commissioner signed a policy memorandum on November 12, 1999, designating the Chief Information Officer (CIO) as the responsible official for management and control of ADP property.

**Implementation Date of Corrective Action #5**

**Completed:**

**Proposed:** April 1, 2000  
Complete Wall-to-Wall inventory and reconciliation process, including non-mission critical sites.

**Responsible Officials for Corrective Action #5**

Chief Information Officer IS  
Deputy Chief Information Officer (Operations) IS  
Director Enterprise Operations Division IS:EO

**Corrective Action #5 Monitoring Plan**

IS will track the progress of the corrective action at the weekly Century Date Change Information System Progress Report meetings while still being held. IS: EO will concurrently and subsequently track the progress through the Enterprise Operations Division Executive Steering Committee until complete.



**Management Response to Draft Audit Report – Improved Project Management Is Needed To Ready Personal Computers for the Year 2000**

**Recommendation #6**

IS management should prepare a comprehensive project plan that includes specific task deadlines, task responsibilities, sufficient details, and identification of necessary funds and resources needed to accomplish tasks.

**Assessment of Cause**

End User Computing Support Division management did not deem a comprehensive consolidated plan practical.

**Corrective Action #6**

The IRS agrees with the finding but rejects the recommended action and has taken appropriate actions to address the finding. Information Systems (IS) management did not prepare a plan or work breakdown structure as recommended for Tier 3 because of the magnitude and scope of effort involved. IS divided the tasks and key elements into smaller sized activities which were managed and tracked on a smaller scale. The IS method of project management is exemplified in the reports used in tracking Tier 3 Y2K progress in the CDC project progress meetings. IS distributes End User Computing Inventory Analysis Reports to executives on a weekly basis. The weekly CDC Information System Progress Report contains "Status of Tier 3 Action Items" and "Tier 3 Inventory Analysis" which are reviewed at the Century Date Change Information System Progress Report meetings. Tier 3 publishes detailed COTS software and hardware testing reports both electronically and in hard copy. Working with system owners in transition to standard products, Tier 3 internally tracks the mission critical systems and associated COTS software.

As stated in Recommendation # 7, IS hired consultants to advise and assist in conducting effective project management.

**Implementation Date of Corrective Action #6**

**Completed:** September 1, 1999

**Proposed**

Hired additional contractors to advise and assist in managing projects.

**Responsible Officials for Corrective Action #6**

Chief Information Officer IS

Deputy Chief Information Officer (Operations) IS

Director Field Operations Division IS:F

Director, End User Computing Support Division IS:F:E

**Attachment**

**Management Response to Draft Audit Report – Improved Project  
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**Corrective Action #6 Monitoring Plan**

Not Applicable.

**Management Response to Draft Audit Report ~ Improved Project Management Is Needed To Ready Personal Computers for the Year 2000**

**Recommendation #7**

IS management should consider forming or contracting for a consulting team which would help with problem solving and overall project management. The team is needed because of the critical timing, the magnitude of Tier III conversions, and the large number of tasks yet to be accomplished. The consulting team should have sufficient independence and experience in "large scale" efforts of this type.

**Assessment of Cause**

The Tier 3 conversion effort requires support external to IRS capabilities.

**Corrective Action #7**

Information Systems (IS) received and used \$10 million from the Office of Management and Budget (OMB) in data processing services funding to hire additional contractor support to assist Tier 3 in the areas of conversion related problem solving, project management, and task accomplishment. The consulting teams have experience in program and project management and have collaborated with IS management in bringing a stronger project management discipline to conducting the Y2K conversion and testing work.

**Implementation Date of Corrective Action #7**

**Completed:** September 1, 1999.

**Proposed:**

Hired contract teams to advise and assist in program management.

**Responsible Officials for Corrective Action #7**

Chief Information Officer IS  
Deputy Chief Information Officer (Operations) IS  
Director Field Operations Division IS:F  
Director, End User Computing Support Division IS:F:E

**Corrective Action #7 Monitoring Plan**

Not Applicable.