

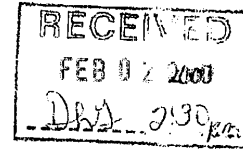
Report Reference 2000-20-024, dated December 28, 1999  
Management's Response to Draft Report



COMMISSIONER

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

January 13, 2000



MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX  
ADMINISTRATION

FROM: Charles O. Rossotti  
Commissioner of Internal Revenue

SUBJECT: Management Response to Draft Management Advisory Report:  
The Internal Revenue Service Has Made Significant Progress in  
Converting Minicomputer Systems for the Year 2000, But Risks  
Remain

Thank you for the opportunity to review the subject Management Advisory Report. I would like to comment on three issues: our schedule for implementing Year 2000 compliant minicomputer (Tier II) systems; re-hosting of the Automated Under-Reporter (AUR) system; and lack of a contingency plan for the Batch Block Tracking System (BBTS).

All Year 2000 compliant versions of all mission critical Tier II systems have been implemented. We have implemented compliant versions of all except three of our non-mission critical Tier II systems. Of the three remaining non-compliant Tier II systems, one is scheduled to be implemented by January 10, 2000 and two are scheduled to be implemented by February 1, 2000.

The AUR system was successfully re-hosted from one Pyramid platform to another Pyramid platform with roll-out to the fifth and final center completed November 20, 1999. The new Pyramid platform is code-compatible with the earlier platform. No critical problems have been reported since roll-out began. There appears to be no appreciable added risk of Year 2000 failures.

The Management Advisory Report noted correctly that IRS did not have a contingency plan for the BBTS. The IRS determined the impact of loss of BBTS would be minimal from a business standpoint because the tracking operation can be performed manually. In addition, Monthly System Risk Assessment Ratings from July 1999 through November 1999 have never rated BBTS as high risk.

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A high risk rating would require the Business Owner to determine if a Business Contingency Plan were needed, and if so, to prepare it. All components of BBTS have undergone an Independent Validation and Verification process. We have completed End-to-End Testing of this system.

The Century Date Change Project Office has an active process for monitoring Year 2000 risks, including Tier II applications. Based on their monitoring and the above information, the risk that IRS will be unable to provide critical Tier II service to taxpayers or to internal users is minimal.

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, (202) 283-4060, or Barry Herrmann, Chief, Office of IS Program Oversight and Management Controls, at (202) 283-7698, as appropriate.

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