



Treasury Inspector General for Tax Administration Office of Audit

THE MODERNIZATION VISION AND STRATEGY PROGRAM IS ACHIEVING DESIRED RESULTS, BUT RISKS REMAIN

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Highlights

Highlights of Report Number: 2009-20-008 to the Internal Revenue Service Chief Information Officer.

IMPACT ON TAXPAYERS

Since the Business Systems Modernization program was initiated in Fiscal Year 1999, substantial changes in the information technology and budget environments have forced the Internal Revenue Service (IRS) to shift its thinking and original assumptions. The Modernization Vision and Strategy (MV&S) Program was developed to implement a fundamentally different approach to the IRS modernization effort and to provide guidance in the development of an integrated portfolio of information technology investments. The MV&S Program has improved the information technology investment decision processes, resulting in information technology projects that 1) better support the IRS goals of improving customer service and enforcement, and 2) make better use of technology funds. However, process improvements need to be implemented to ensure the continued improvement of future investment proposal cost estimates and standardized reporting of investment decisions' performance measures.

WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether the IRS MV&S Program is achieving the desired results. Developed in October 2006, the MV&S Plan is an annually updated 5-year plan for the governance and planning processes for IRS information technology decisions. This approach leverages the IRS strategic plan and associated business plans to drive information technology decisions, address the priorities around modernizing front-line tax administration, and enable technical capabilities provided by the information technology infrastructure.

WHAT TIGTA FOUND

Overall, the MV&S Program processes and procedures have been effectively implemented. For example, the MV&S Plan is updated annually; strategic planning is effective; collaborative alliances have been established;

and focused, more frequent delivery of information technology project releases is emphasized.

In addition, the IRS is using an approved estimation model for determining total cost of ownership. TIGTA determined that the cost estimates for a sample of 4 of 23 projects in the approved investment portfolio appear to be reasonable based on 1) the documentation provided, 2) the validation of the estimates by employees with expertise in the area, and 3) reviews by the team working on the proposed investments. However, IRS internal estimation guidance does not require comparison of actual investment costs to the original estimates. Therefore, the reliability of estimated total costs of ownership might be at risk because the estimates for prior projects were not validated by comparing the estimates to the actual costs.

MV&S Program performance measures are being collected, but there is no standardized procedure for compiling and reporting these measures. Through review of documentation and discussions with personnel, TIGTA could not determine whether performance measurement and reporting were being thoroughly accomplished as required. The lack of MV&S Program performance measures and reporting compliance could result in inefficient accomplishment of strategic information technology acquisitions, objectives, and expectations.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief Information Officer 1) ensure the reliability of the cost estimation process by implementing procedures to compare actual project operations and maintenance costs to initial estimates and revising the estimation process, if necessary, and 2) include guidelines for performance measurement and reporting in the updated MV&S Plan.

In their response to the report, IRS officials agreed with the recommendations and plan to take appropriate corrective actions. The IRS plans to implement procedures to compare actual project operations and maintenance costs to initial estimates and revise the estimation process when necessary. It also plans to update the MV&S Plan to reference performance measures and reporting and include this update in the Calendar Year 2009 annual publication.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2009reports/200920008fr.pdf>.

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