



## Treasury Inspector General for Tax Administration

### LACK OF PROPER IRS OVERSIGHT OF THE DEPARTMENT OF THE TREASURY HSPD-12 INITIATIVE RESULTED IN MISUSE OF FEDERAL GOVERNMENT RESOURCES

Issued on December 14, 2007

## Highlights

Highlights of Report Number: 2008-20-030 to the Internal Revenue Service Acting Commissioner.

### IMPACT ON TAXPAYERS

The total estimated cost to build and maintain a Homeland Security Presidential Directive-12 (HSPD-12) system for the Department of the Treasury (the Treasury) is \$421 million over 14 years. As the lead bureau for the Treasury, the Internal Revenue Service (IRS) is charged with ensuring the funds are spent prudently. The IRS estimated it had obligated \$30 million as of June 2007. However, \$3.5 million was spent on acquisitions that should have been avoided. In addition, the IRS did not administer contracts effectively and could not provide documentation to support the actual costs charged to the HSPD-12 program. As a result, taxpayers could have little confidence their funds were being used effectively during the early stages of this initiative.

### WHY TIGTA DID THE AUDIT

This audit was initiated to assess prior HSPD-12 program management activities and provide IRS executives with an independent perspective to assist them in future implementation of the HSPD-12 program.

### WHAT TIGTA FOUND

In January 2006, the IRS Commissioner volunteered the IRS to lead the Treasury HSPD-12 program efforts and to deliver a Departmentwide solution. The Treasury agreed and, in March 2006, the IRS assumed leadership of the Treasury HSPD-12 Program Management Office.

The integrated project team, and later the Program Management Office, did not effectively manage the contracts for the HSPD-12 program. Statements of work were too general to hold contractors accountable for work performed, and the IRS paid contractors without verifying work was performed. The IRS could not provide supporting documentation for the actual costs spent on the program, and TIGTA found that at least \$3.5 million was spent on unneeded hardware, software,

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and services. In addition, the IRS did not follow its established governance procedures for overseeing the HSPD-12 program because it did not prepare a formal business case for the program. An internal business case was prepared by the Program Management Office, but it did not comply with IRS business case requirements and it was never provided to the Treasury HSPD-12 governance committees overseeing the program. Additionally, program management made statements to Treasury and IRS officials that were inaccurate. As a result, the governance committees did not have sufficient information with which to make critical management decisions for the program.

### WHAT TIGTA RECOMMENDED

TIGTA recommended the Chief, Agency-Wide Shared Services, require that future task orders prepared by the HSPD-12 Program Management Office separate tasks by function, the Program Manager maintain documentation sufficient to support all HSPD-12 program costs, and assign costs to specific task orders. In addition, the Chief Information Officer should coordinate with the Treasury to evaluate the possibility of combining its Public Key Infrastructure efforts with those of the General Services Administration and ensure executive steering committees responsible for providing oversight to information technology projects enforce use of IRS Enterprise Life Cycle requirements.

In their response to the report, IRS officials agreed with the recommendations and plan to take several steps to improve management of the HSPD-12 Program Management Office, including initiating a process to establish clear delineation of tasks by functional area to monitor contractor performance, ensuring the Program Management Office and the Contracting Officer's Technical Representatives are in compliance with existing procedures for reviewing invoices before payments are made to contractors, and assigning project resources and planned cost to project tasks to support all HSPD-12 program costs. The IRS plans to coordinate with the Treasury to evaluate the possibility of combining Public Key Infrastructure efforts with those of the General Services Administration. In addition, the IRS plans to strengthen the executive steering committees' responsibilities and update project reporting templates, used by projects at the assigned governance board, to reflect project status and compliance with the Enterprise Life Cycle.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2008reports/200820030fr.pdf>.

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