



Treasury Inspector General for Tax Administration

ANNUAL ASSESSMENT OF THE BUSINESS SYSTEMS MODERNIZATION PROGRAM

Issued on June 24, 2008

Highlights

Highlights of Report Number: 2008-20-129 to the Internal Revenue Service Chief Information Officer.

IMPACT ON TAXPAYERS

The Business Systems Modernization (Modernization) Program, which began in 1999, is a complex effort to modernize the Internal Revenue Service's (IRS) technology and related business processes. This effort involves integrating thousands of hardware and software components and must be done while replacing outdated technology and maintaining the current tax system. The IRS has achieved some successes in addressing these crucial challenges, but it still must overcome significant barriers to manage the inherent risks of modernization and deliver a level of service American taxpayers expect.

WHY TIGTA DID THE AUDIT

This audit was initiated as part of TIGTA's Fiscal Year 2008 Annual Audit Plan for reviews of the IRS' Modernization efforts. TIGTA is required to assess and report annually on the progress of the IRS' Modernization Program.

WHAT TIGTA FOUND

The IRS has achieved successes when the Modernization Program followed its systems development and management guidance. The Program has progressed more effectively with the implementation of the Enterprise Services organization's management components, and with the development of the Information Technology Modernization Vision and Strategy as a map for future development. However, the IRS and its contractors must overcome significant barriers in successfully implementing the goals of the Modernization Program. The Modernization Program and processes have not progressed enough to eliminate its material weakness designation, and further reductions in funding could jeopardize the Program's ability to deliver planned improvements.

The IRS originally estimated that the Modernization Program would last up to 15 years and incur contractor costs of approximately \$8 billion. According to the IRS' original plan, the Modernization Program would be past

the halfway point by Calendar Year 2008. The Program is in its 10th year and has received approximately \$2.5 billion for contractor services, plus an additional \$310 million for internal IRS costs. The IRS plans to spend \$267 million on the Modernization Program in Fiscal Year 2008.

WHAT TIGTA RECOMMENDED

TIGTA provided an assessment of the Modernization Program status and accomplishments through Fiscal Year 2008, and did not offer any recommendations.

The Chief Information Officer responded that the IRS was pleased that the annual assessment recognized the progress in implementing Modernization projects, validating improvements in contracting procedures affecting the Modernization Program, and documenting work to institutionalize the Modernization Vision and Strategy. The Chief Information Officer also stated that the IRS has taken additional steps to improve Modernization Program performance including development of strategies to confront risks and issues to future system releases, efforts to address human capital challenges and succession planning, and development and implementation of a methodology for quantitatively measuring and reporting on project scope. The Chief Information Officer stated that he appreciated TIGTA's continued support and the valuable assistance and guidance the auditors provide.

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/200820129fr.pdf>.

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