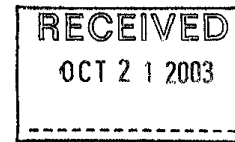




DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

October 21, 2003



MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX
ADMINISTRATION

FROM: W. Todd Grams *WTG*
Chief Information Officer

SUBJECT: Draft Audit Report – Risks Are Mounting as the Integrated
Financial System Project Team Strives to Meet an Aggressive
Implementation Date (Audit # 200320038)

We have reviewed your report and appreciate your recognition of the progress made by the Integrated Financial System (IFS) project team towards implementing the first release of the IFS.

As you know, we recently announced that the implementation date for IFS will slip from the previous target date of October 2003 to Spring 2004. There are a number of matters that we need to address as a result of this delay, one of which, as you note, is keeping our current financial systems operating until the new system is functional.

We responded to your individual recommendations in the attachment. You will note that we agreed with all but one of the recommendations in this audit. In many cases, action has already been taken to correct areas of weakness identified in the report.

Additionally, there are two specific comments that you made in the audit, with which we do not agree, regarding Product Assurance and combined testing:

Concerns about why the Product Assurance (PA) group is not the lead organization in acceptance testing.

While the PA group has a high degree of knowledge about tax administration functions and systems (and they are used heavily in the testing of tax administration projects), they do not have such expertise in internal management systems, specifically financial systems. That is why the Chief Financial Officer (CFO) group was asked to provide functional and systems expertise in supporting the testing of the financial system. However, as noted, the PA group will be leveraged for their expertise with regard to logistics and management of the testing process.

Concerns about our reasons for having a combined Systems Integration Test (SIT) and Systems Acceptance Test (SAT).

Lessons learned from prior projects, have demonstrated that there is a high degree of redundancy between the tests that are conducted in Systems Integration Testing and Systems Acceptance Testing. Due to the success of combining these two tests on the e-Services project, we are using the same approach for the Modernized e-file project. In addition, combined SIT/SAT testing is also planned for the IFS project. We do not believe that quality or independence are in any way compromised with this approach.

If you have any questions, please contact me at (202) 622-6800, or Fred Forman, Associate Commissioner for Business Systems Modernization at (202) 622-2475.

Attachment

Draft Audit Report – Risks Are Mounting as the Integrated Financial System
Project Team Strives to Meet an Aggressive Implementation Date
(Audit # 200320038)

IDENTITY OF RECOMMENDATION 2: Data cleaning and validation issues are formally tracked.

CORRECTIVE ACTION 2: Agree with this recommendation. We have taken actions to address this condition. An issue log is monitored during weekly status meetings held between PRIME and CFO's designated employees to track data cleaning and validation issues. The CFO's lead analyst coordinates data cleansing issues between two additional individuals who handle budget and accounting issues. The CFO regularly communicates the importance of data cleansing to Commissioners and Senior Executives to obtain their support.

IMPLEMENTATION DATE:

COMPLETED: August 29, 2003

PROPOSED:

RESPONSIBLE OFFICIAL:

Deputy Associate Commissioner for
Program Management

CORRECTIVE ACTION MONITORING PLAN: See monitoring plan for Recommendation 1.

IDENTITY OF RECOMMENDATION 3: Risk reduction activities being taken in case of untimely IFS implementation are formally documented and tracked.

CORRECTIVE ACTION 3: Agree with this recommendation. We have taken actions to address this condition. The CFO has taken the necessary steps to maintain an operational AFS until IFS "go live" date. A detailed deployment plan is being maintained to address "go-live" contingencies, including those necessary to maintain AFS until IFS is deployed.

IMPLEMENTATION DATE:

COMPLETED: September 30, 2003

PROPOSED:

RESPONSIBLE OFFICIAL:

Deputy Associate Commissioner
for Program Management

CORRECTIVE ACTION MONITORING PLAN: See monitoring plan for Recommendation 1.

IDENTITY OF RECOMMENDATION 4: The ELC is updated with the new testing strategy, if it is determined that the strategy is successful and will be employed in the future. If an ELC update is made, ensure that there is a requirement to document independent acceptance roles when the Product Assurance function is not providing full independent assurance.

Draft Audit Report – Risks Are Mounting as the Integrated Financial System Project Team Strives to Meet an Aggressive Implementation Date (Audit # 200320038)

Center (DCC) is the production site. The EITE IFS resources, because they replicate the production environment, can adequately support IFS DR.

The modernization disaster recovery planning for 2004 and 2005 is expected to provide enough business functionality for the IRS to stay in business in the event of a site disaster. We are now in the early stages of the IFS DR planning necessary to utilize the existing EITE IFS system. However, the completion date is contingent on both the current IFS re-plan and schedule and the scope of the initial production deployment.

IMPLEMENTATION DATE:

COMPLETED:

PROPOSED: October 31, 2005

RESPONSIBLE OFFICIAL:

Deputy Associate Commissioner for
Systems Integration

CORRECTIVE ACTION MONITORING PLAN: See monitoring plan for Recommendation 1.

IDENTITY OF RECOMMENDATION 7: The IFS classification in the draft Technical Contingency Planning Document is reconsidered.

CORRECTIVE ACTION No. 7: Disagree with this recommendation. We understand that this recommendation is being made to ensure that IFS receives a higher consideration when planning for disaster recovery. However, IFS is not a system critical to the IRS core mission. The current IFS disaster plan encompasses using the Enterprise Integration and Test Environment (EITE) resources at Martinsburg Computing Center (MCC) to partially recover IFS. The modernization disaster recovery planning for 2004 and 2005 will provide enough business functionality for the IRS to stay in business in the event of a site disaster.

IMPLEMENTATION DATE:

COMPLETED: N/A

PROPOSED: N/A

RESPONSIBLE OFFICIAL:

N/A

CORRECTIVE ACTION MONITORING PLAN: N/A