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

COMMISSIONER

February 10, 2000

OFFICE OF TREASURY
INSPECTOR GENERAL
RECEIVED

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FOR TAX ADMINISTRATION

MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: Charles O. Rossotti
Commissioner of Internal Revenue

SUBJECT: Management Response to Draft Audit Report – Cost Savings Can Be Achieved Through Monitoring of the Treasury Communications System Contract (#19990050)

Thank you for the opportunity to review and comment on your draft report and recommendations to improve the performance of the Treasury Communications System (TCS) contract. Continued improvements to monitor and administer the TCS contract could realize significant cost savings. Information Systems' recognition of these improvements should greatly enhance the management of IRS' telecommunication resources.

Attached are the corrective actions for recommendations 1, 2, 3 and 4. The Assistant Commissioner (Procurement) responded to recommendations 2 and 5 under separate cover.

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.

Attachment

cc: Assistant inspector General for Audit
Director, Audit Projects

ATTACHMENT

Management Response Draft Report –
Cost Savings Can Be Achieved Through Monitoring
Of the Treasury Communications System Contract

Additional Emphasis is Needed to Ensure the Proper Verification of Treasury Communications System Invoices

Recommendation #1:

Information Systems management should ensure that Treasury Communications System (TCS) Coordinators and other appropriate personnel perform an in-depth analysis of a TCS invoice to identify billings for circuits and equipment that no longer exist at the IRS site. After the in-depth analysis is performed the TCS Coordinators should review and monitor the invoices continuously.

Assessment of Cause:

The Office of Treasury's Inspector General for Tax Administration's (OTIGTA) office found several discrepancies in billing during their random inspection of the IRS facilities. The inspection identified equipment and circuits that had been deleted or could not be located, a maintenance contract on equipment that should not require maintenance (metal cabinets and racks), and multiple maintenance contracts on the same equipment. The Telecommunications Directorate agrees with OTIGTA's assessment.

Corrective Actions:

An IRS analyst has been assigned to perform a detailed analysis of the monthly billing invoices of IRS circuits and equipment. This analyst will be co-located with the vendor, and have access to the vendor's billing logs to validate the monthly charges.

Implementation Date:

Completed: December 7, 1999 Proposed: _____
An IRS analyst has been assigned to perform detailed analysis of IRS circuits and equipment.

Responsible Officials:

Chief Information Officer (CIO)
Director Telecommunications IS:TL

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Management Response Draft Report –
Cost Savings Can Be Achieved Through Monitoring
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Corrective Action(s) Monitoring Plan for Corrective Action #1:

The Wide Area Networks Office has designated key personnel for checks and balances during the billing validation process. This, along with the Corporate Systems Management's recognition for improved trouble ticket reporting, should greatly enhance the management of telecommunication resources.

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Of the Treasury Communications System Contract

Additional Emphasis is Needed to Ensure the Proper Verification of Treasury Communications System Invoices

Recommendation #2:

To facilitate the review process, Procurement and Information Systems management should work with the contractor to create an invoice that is easier to verify.

Assessment of cause:

The Office of Treasury's Inspector General for Tax Administration's (OTIGTA) office found that the Treasury Communications System invoices are not easily readable and create a verification problem. The Telecommunications Directorate agrees with OTIGTA's assessment.

Corrective Actions:

The IRS has requested—through the COTR—that the vendor provide better restoration narratives on the invoice to assist in billing verification. The Director, Corporate Systems Management, has also directed the contractor to follow strict guidelines when documenting future restoration actions—TCS Emergency Maintenance Dispatch Procedure (SOMP-015) memorandum dated December 3, 1999. The contractor has agreed to provide concise explanations on the trouble tickets starting the next billing cycle.

Implementation Date:

Completed: _____

Proposed: March 1, 2000
The IRS has requested that the vendor provide better restoration narratives on the invoice to assist in billing verification. The Director, Corporate Systems Management, has also directed the contractor to follow strict guidelines when documenting future restoration actions—TCS Emergency

Maintenance Dispatch Procedure (SOMP-015) memorandum dated December 3, 1999. The contractor has agreed to provide concise explanations on the trouble tickets starting the next billing cycle.

Responsible Officials:

Chief Information Officer IS
Director Telecommunications IS:TL

Corrective Action Monitoring Plan for Corrective Action #2:

The new trouble ticket reporting procedures and the Corporate Systems Management's recognition for improved trouble ticket reporting should greatly enhance the services performed validation.

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Recommendation #3:

Network Services management should implement a process to follow up on billing resolution issues to ensure that the IRS is receiving the appropriate credits.

Assessment of cause:

The Office of Treasury's Inspector General for Tax Administration's (OTIGTA) office found that the IRS does not have a process in place to follow up on billing resolution issues. The Telecommunications Directorate agrees with OTIGTA's assessment.

Corrective Actions:

The Wide Area Network office, in conjunction with the Budget Resources office, has implemented a monthly Billing Invoices Resolution (BIR) reconciliation with Treasury Communications System (TCS) to ensure IRS is receiving the appropriate credits. The IRS has requested, through the COTR, a current database of all IRS circuits and sites supported. This database will be compared with the Network Management Center's monitoring tools for additions and deletions of circuits and equipment.

Implementation Date:

Completed: October 1, 1999
The Wide Area Network office, in conjunction with the Budget Resources office, has implemented a monthly Billing Invoices Resolution (BIR) reconciliation with TCS to ensure IRS is receiving the appropriate credits.

Proposed: _____

Responsible Officials:

Chief Information Officer IS
Director Telecommunications IS:TL

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Corrective Action Monitoring Plan for Corrective Action #3:

The monthly IRS and contractor reconciliation of invoices should identify changes in service and allow IRS to receive appropriate credits.

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Requests for Service Should be Timely Completed

Identity of Recommendation #4:

Information Systems management should work with the contractor to determine realistic estimates on future service request.

Assessment of cause:

The Office of Treasury's Inspector General for Tax Administration's (OTIGTA) office reported that the contractor was not providing service in a timely manner – causing additional cost to IRS. The Telecommunications Directorate agrees with OTIGTA's assessment.

Corrective Actions:

The Telecommunications Directorate has agreed to bi-weekly meetings with TCS and the contractor to discuss realistic time lines and to establish IRS service request priorities. Also, the IRS and the contractor have agreed upon nominal installation metrics for the new Asynchronous Transfer Mode (ATM) and Frame Relay (FR) circuits (120 days for ATM, 90 days for FR).

Implementation Date:

Completed: September 1, 1999
The Telecommunications Directorate has agreed to bi-weekly meetings with TCS and the contractor to discuss realistic time lines and establish IRS service request priorities. Also, the IRS and the contractor have agreed upon nominal installation metrics for the new Asynchronous Transfer Mode (ATM) and Frame Relay (FR) circuits (120 days for ATM, 90 days for FR).

Proposed: _____

Responsible Officials:

Chief Information Officer IS
Director Telecommunications IS:TL

Management Response Draft Report –
Cost Savings Can Be Achieved Through Monitoring
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Corrective Action(s) Monitoring Plan for Corrective Action #4:

The bi-weekly meetings between IRS and the contractor should establish IRS priorities and expectations. Established target dates should provide the contractor with the metrics needed to complete service requests in a timely manner.