



Treasury Inspector General for Tax Administration Office of Audit

MODERNIZATION PROGRAM UNCERTAINTIES ARE AFFECTING THE ACCOUNT MANAGEMENT SERVICES PROJECT DEVELOPMENT

Issued on June 9, 2009

Highlights

Highlights of Report Number: 2009-20-071 to the Internal Revenue Service Chief Technology Officer.

IMPACT ON TAXPAYERS

The Account Management Services (AMS) system will provide Internal Revenue Service (IRS) employees with immediate access to taxpayer account data and the ability to perform instantaneous transaction processing and daily account settlement. IRS management needs to decide what future project development plans will be followed and improve project funding controls. Addressing these issues will allow the AMS system to help meet the ongoing need to modernize tax administration processes, applications, and technologies, and to enhance the level of service provided to the nation's taxpayers.

WHY TIGTA DID THE AUDIT

This audit was initiated as part of our Fiscal Year 2009 Annual Audit Plan for reviews of the IRS Modernization Program. The overall objectives of this review were to determine whether the AMS project management team is following established systems development processes to ensure effective and efficient delivery of AMS Releases 1.3 and 2.1 and to assess the adequacy of internal controls to ensure appropriate expenditure and reporting of funds used to support AMS system release activities.

WHAT TIGTA FOUND

Adequate documentation was developed and maintained to meet Enterprise Life Cycle requirements for deliverables and work products for the development and deployment of AMS Releases 1.3 and 2.1. The AMS project management team completed deployment of Release 1.3 on February 20, 2009, and Release 2.1 is on track for its scheduled August 5, 2009, delivery.

In Calendar Year 2007, the IRS conducted an extensive technical analysis on the future of the AMS system and decided to modernize and reuse the Integrated Data Retrieval System, eliminating the need to develop many

of the capabilities originally planned for the AMS system.

Because of the tentative plans about its future, IRS executives need to make several strategic decisions that will affect the future of the AMS system. The longer these decisions are delayed, the greater the risk of costly rework.

Although contracted work for the AMS system was performance-based, timely finalized, and monitored, the contract was not developed in a manner to appropriately control spending across releases. Because of the form of the contract and the absence of key internal controls over funding, the AMS project management team experienced difficulty in managing project funding for Releases 1.3, 2.1, 2.2, and 3.1. They initially approved spreading infrastructure costs across multiple releases because these costs do in fact benefit multiple releases. However, because some development work was associated with project infrastructure, budget managers began to spend development funds in the same way.

WHAT TIGTA RECOMMENDED

TIGTA recommended that AMS project management activities follow the appropriate governance process to redirect remaining AMS funding to complete Releases 1.3 and 2.1. To address the need to improve controls over project funding, the Chief Technology Officer should direct project management teams and contracting officers to propose modernization task orders with the ability to readily account for system development activity funding on a release basis. Actions should be taken to reinforce existing governance procedures to executives and managers about release-specific project funding. Training and desk procedures on the proper use of release-specific project funding should be provided, including steps for preparing, reviewing, and approving requisitions.

The IRS agreed with our recommendations. The Account Management Services project request to realign funds to complete Releases 1.3 and 2.1 followed the governance process, received approval from governance committees, and notified external stakeholders. The Modernization and Information Technology Services organization is taking actions to manage contracts on a project release basis and plans to reinforce existing governance procedures to ensure that this topic is included as an agenda item for discussion at appropriate Executive Steering Committee meetings. Further, formal desk procedures, including the appropriate use of release-specific and milestone-specific project funding, are under development.

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/200920071fr.pdf>.

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