



*Continued Improvements Are Needed for the
Development and Operations of the New
Enterprise Services Organization*

April 27, 2007

Reference Number: 2007-20-073

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

Phone Number | 202-927-7037

Email Address | Bonnie.Heald@tigta.treas.gov

Web Site | <http://www.tigta.gov>



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 27, 2007

MEMORANDUM FOR CHIEF INFORMATION OFFICER

FROM: *Michael R. Phillips*
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization (Audit # 200620010)

This report presents the results of our review of the Enterprise Services organization (the Organization). The overall objective of this review was to determine whether internal controls were in place to ensure the Organization was achieving its mission efficiently and effectively. This review was part of the Treasury Inspector General for Tax Administration's Fiscal Year 2006 Information Systems Programs audit plan for reviews on the adequacy and security of Internal Revenue Service (IRS) technology.

Impact on the Taxpayer

The Organization has a Fiscal Year 2007 estimated budget of \$85.9 million and had 784 employees as of May 2006. The Organization needs to further define its missions and goals, validate staffing assignments, and create performance measures. Until this work is complete, neither we nor the IRS will be able to objectively determine whether the Organization is operating efficiently or effectively and whether taxpayer funds are being spent wisely.

Synopsis

The Modernization and Information Technology Services organization supports tax administration within the IRS by delivering information technology services and solutions. In 2004, the IRS began investigating industry best practices¹ for organizing certain information technology services common to all projects under development. As a result, the Modernization

¹ Appendix IV provides a glossary of terms.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

and Information Technology Services organization began consolidating several existing functions and offices to form the new Organization under a newly appointed Associate Chief Information Officer, in an effort to improve services provided to internal customers.

During the consolidation, individual offices within the two Organization functions (Business Integration and Systems Integration) have continued to perform prior operations, such as providing infrastructure support and managing demand for information technology services, while incorporating new roles and responsibilities as part of the Organization. Many of the offices have gone even farther by developing individual concepts of operations; defining specific visions, priorities, and plans; and performing detailed work assessment studies. Also, the Organization completed several Highest Priority Initiatives and individual offices completed significant activities during Fiscal Year 2006. For example, the Organization assisted with more than 40 projects in developing high-level cost estimates to help the IRS create its overall portfolio of systems development projects.

Developing an organization to incorporate operations and services at an enterprisewide level is a complex effort. The IRS created the Organization structure based on recommendations from the MITRE Corporation, IBM, and key IRS executives; developed preliminary staffing estimates; and used the Highest Priority Initiatives process to ensure significant activities were accomplished as the Organization was founded. The IRS stated it had initially documented high-level commitments for Organization senior managers; however, IRS executives believed directors and managers would need to gain operational experience within the new Organization before developing individual goals and missions within their respective functions and offices. In May 2006, the Organization documented the missions and goals of its subordinate offices. As we were completing our audit, the validation of these missions and goals was ongoing at many levels of the Organization, and work was underway to define short-term and long-term (transformational) plans, validate staffing assignments, and measure performance. Because this work is in process, we were unable to objectively determine the level of efficiency or effectiveness of the individual offices or the overall Organization.

The Organization needs to further define its missions and goals, validate staffing assignments, and create performance measures.

Recommendations

To ensure the continued orderly evolution of the Organization, we recommended the Associate Chief Information Officer, Enterprise Services, complete the work necessary to validate and document missions and goals and to develop and document short-term and long-term transformational plans. To ensure resource staffing assignments are commensurate with the work being conducted, we recommended the Associate Chief Information Officer, Enterprise Services, track individual work assignments when applicable, revise the Single Entry Time



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Reporting system codes, and reevaluate staffing needs based on current and future workloads. To ensure performance is defined and measured, we recommended the Associate Chief Information Officer, Enterprise Services, complete the current performance measures pilot, identify performance measures for offices not included in the current pilot, and identify key performance measures for the entire Organization based on goals and missions as well as short-term and long-term plans.

Response

The Chief Information Officer agreed with our recommendations and stated the IRS will document the mission and goals for the Organization, complete the current performance measures pilot, and identify performance measures for the Organization. The Chief Information Officer also stated the IRS will construct a high-level approach to develop short-term and long-term transformation plans and create an implementation plan to establish new Single Entry Time Reporting codes and processes to validate staffing needs. In the interim, the Organization management team will meet regularly to refine priorities and work with the Single Entry Time Reporting administrator to establish new codes and develop reports for more accurate tracking of staff and activities. Management's complete response to the draft report is included as Appendix VII.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Margaret E. Begg, Assistant Inspector General for Audit (Information Systems Programs), at (202) 622-8510.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Table of Contents

Background	Page 1
Results of Review	Page 2
Organization Offices Have Continued to Perform Prior Operations While Managing New Roles and Responsibilities.....	Page 2
The Organization Needs to Further Define Its Missions and Goals, Validate Staffing Assignments, and Create Performance Measures	Page 2
<u>Recommendations 1 and 2:</u>	Page 5
<u>Recommendation 3:</u>	Page 6
<u>Recommendation 4:</u>	Page 8
Appendices	
Appendix I – Detailed Objective, Scope, and Methodology	Page 9
Appendix II – Major Contributors to This Report	Page 10
Appendix III – Report Distribution List	Page 11
Appendix IV – Glossary of Terms.....	Page 12
Appendix V – Enterprise Services Organization Accomplishments	Page 15
Appendix VI – Enterprise Services Organization Structure	Page 16
Appendix VII – Management’s Response to the Draft Report.....	Page 18



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Abbreviations

IRS

Internal Revenue Service



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Background

The Modernization and Information Technology Services organization supports tax administration within the Internal Revenue Service (IRS) by delivering information technology services and solutions. In 2004, the IRS began investigating industry best practices¹ for organizing certain information technology services common to all projects under development. As a result, the Modernization and Information Technology Services organization began consolidating several existing functions and offices to form the new Enterprise Services organization (the Organization) under a newly appointed Associate Chief Information Officer, in an effort to improve services provided to internal customers.

With a Fiscal Year 2007 estimated budget of \$85.9 million, the Organization is structured into two functions: Business Integration and Systems Integration. This major restructuring of multiple Modernization and Information Technology Services organization functions into the Organization included 784 IRS employees as of May 2006.

This review was performed at the Modernization and Information Technology Services organization office in New Carrollton, Maryland, during the period September 2006 through January 2007. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

¹ Appendix IV provides a glossary of terms.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Results of Review

Organization Offices Have Continued to Perform Prior Operations While Managing New Roles and Responsibilities

The consolidation of existing Modernization and Information Technology Services organization functions and offices into the new Organization affected the duties and responsibilities of 522 IRS employees within the Business Integration function and 262 employees within the Systems Integration function. During the consolidation, individual offices within the two Organization functions have continued to perform prior operations, such as providing infrastructure support and managing demand for information technology services, while incorporating new roles and responsibilities as part of the Organization.

Many of the offices have gone even farther by developing individual concepts of operations; defining specific visions, priorities, and plans; and performing detailed work assessment studies. Also, the Organization completed several Highest Priority Initiatives and individual offices completed significant activities during Fiscal Year 2006. For example, the Organization implemented a system to centrally manage change requests and requests for information services. Previously, the IRS had used multiple processes to request information systems support, which had led to resource shortages and cost overruns. In addition, the Organization assisted over 40 projects in developing high-level cost estimates to help the IRS create its overall portfolio of systems development projects.²

The Organization Needs to Further Define Its Missions and Goals, Validate Staffing Assignments, and Create Performance Measures

Developing an organization to incorporate operations and services at an enterprisewide level is a complex effort. Thus, the IRS has formed the Organization incrementally. In early 2005, several offices from the previous Business Systems Modernization Office and two other Modernization and Information Technology Services organizations became the first offices to migrate to the Organization. In September 2005, the IRS moved most of the remaining Business Integration and Systems Integration functions from the previous Business Systems Modernization Office into the Organization. Other offices within the Modernization and Information Technology Services organization became part of the Organization in the summer of 2006, and as we were concluding our audit work, the IRS and the Organization were

² Appendix V provides a list of some of the major Organization accomplishments completed in Fiscal Year 2006.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

considering additional changes to the Organization structure. Figure 1 provides a timeline for the formation of the Organization.³

Figure 1: Organization Timeline

Date	Milestone
January 2005	Appointment of a new Associate Chief Information Officer for the Organization.
March 2005	Initial standup of the Organization with four offices.
September 2005	Formation of the Business Integration and Systems Integration functions within the Organization.
May 2006	Approved organizational change for the Organization.

Source: Internal IRS documentation.

The IRS created the Organization structure based on recommendations from the MITRE Corporation, IBM, and key IRS executives; developed preliminary staffing estimates; and used the Highest Priority Initiatives process to ensure significant activities were accomplished as the Organization was founded. The IRS stated it had initially documented high-level commitments for Organization senior managers; however, IRS executives believed directors and managers would need to gain operational experience within the new Organization before developing individual goals and missions within their respective functions and offices. In May 2006, the Organization documented the missions and goals of its subordinate offices.

“It’s important to set clear goals and to set priorities for the dollars we spend, and once a goal is set, a goal that everyone can understand, it’s important to make sure we measure to determine whether or not we’re achieving the results.”

George W. Bush at the President’s Management Council Meeting held October 13, 2006

As we were completing our review, the validation of these missions and goals was ongoing at many levels of the Organization, and work was underway to define short-term and long-term (transformational) plans, validate staffing assignments, and measure performance. Because this work is in process, we were unable to objectively determine the level of efficiency or effectiveness of the individual offices or the overall Organization.

During the Organization’s first full fiscal year of operations, management focused on ensuring ongoing work was completed and support was provided to ongoing projects. As the

³ Appendix VI provides a detailed timeline for the formation of the Organization.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

organizational structure begins to stabilize, we believe it is time to further define missions and goals and make the Organization more mature.

The Organization needs to define and validate its missions and goals

The Government Performance and Results Act of 1993⁴ was established to improve Federal Government programs and initiate reforms to set program goals, measure performance against those goals, and publicly report progress. More specifically, the Act calls for strategic plans containing a comprehensive mission statement with descriptions of how goals and objectives are to be achieved by Federal Government agencies. Using the principles outlined in the Government Performance and Results Act of 1993, the IRS developed the *Manager's Guide to the IRS Strategic Planning, Budgeting and Performance Management Processes* (the *Guide*).⁵ The *Guide* states organizational units (such as the Organization) should create business plans and action plans “that articulate what tactical actions, applied resources, and performance milestones will be implemented to drive day-to-day operations.” In addition, in a memorandum dated December 21, 2006, to all Modernization and Information Technology Services organization employees, the Chief Information Officer committed to developing and incorporating tactical transition plans so organizations could operate using best practices.

We determined the overall mission, purpose, and goals of the Organization at the program level need to be defined and detailed to provide the necessary direction and oversight to Organization functions and their offices. The Organization has not created detailed short-term and long-term (transformational) plans. Several offices within the Organization, however, have developed short-term plans. Until plans are created at the organization level, it is unclear whether the individual offices' plans will align with the overall short-term and long-term goals of the Organization, once defined.

The overall mission, purpose, and goals for the Organization need to be defined at a more detailed level.

As mentioned previously, the IRS stated it had initially documented high-level commitments for Organization senior managers; however, the IRS believed the organization needed operational experience before developing goals and missions. Without clearly defined short-term or long-term plans tied to missions and goals, neither we nor the IRS can measure objectively whether the Organization is operating effectively or efficiently.

Management Actions: The IRS has initiated a Highest Priority Initiative to clarify the mission and operating model for the Organization by March 31, 2007. In addition, individual offices are

⁴ Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

⁵ Dated September 29, 2000.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

in the process of revalidating existing missions and goals, conducting workload studies, and developing roles and responsibilities.

Recommendations

To ensure the continued orderly evolution of the Organization, the Associate Chief Information Officer, Enterprise Services, should:

Recommendation 1: Complete the work necessary to appropriately identify, document, and validate missions and goals at all levels, functions, and offices of the new Organization.

Management's Response: The Chief Information Officer agreed with the recommendation and stated the IRS will document the mission and goals for the Organization. These missions and goals will be validated and updated as the Organization completes its iterative planning cycle.

Recommendation 2: Develop and document short-term and long-term transformational plans tied to missions, goals, and strategic plans of the Modernization and Information Technology Services organization and the IRS.

Management's Response: The Chief Information Officer agreed with the recommendation and stated the IRS will construct a high-level approach for refining the Organization's strategic plans. This approach will address an iterative planning process for developing short-term and long-term transition plans for the Organization. In the interim, the Organization management team will meet regularly to refine priorities and integrate planning approaches with products and services already in-flight. In addition, the IRS will select priorities based on management and stakeholder feedback and participate in strategic plan initiatives.

Office of Audit Comment: The IRS indicated the high-level approach for refining the Organization's strategic plans will be completed by February 1, 2008. While we concur with the IRS plans to create an iterative approach to ensure short-term and long-term planning is not a one-time event, the IRS did not state when short-term and long-term plans would be developed and documented. We would hope plans are developed as soon as possible to provide a method for objectively measuring whether the Organization is operating effectively and efficiently.

The Organization needs to validate its staffing assignments

The *Guide* states organizational units should develop plans that outline how resources will be allocated to accomplish strategies and programs. The resource plans should reflect the established strategic direction of the organizational unit. Throughout the fiscal year, analyses should be performed to determine whether all the allocated resources were used as planned.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Afterwards, resource plans should be adjusted based on unexpected events, to improve upon future plans.

As goals and missions are refined, staffing levels will need to be revalidated.

The IRS created preliminary staffing estimates for each Organization office. Since the preliminary estimates were created, the offices have defined and are currently validating their goals and missions. As the goals and missions are refined, staffing levels will need to be revalidated to determine whether resources are adequate. Once the staffing levels are revalidated, it will be important to track the progress of work activities and products. However, we determined offices within the Organization currently do not always identify, assign, and track work activities and products at a detailed level. Also, the Single Entry Time Reporting system used by employees to track time spent on particular types of work does not include detailed codes reflecting current activities.

Without a current staffing analysis and processes for identifying, assigning, and tracking work, neither we nor the IRS can objectively determine whether the staffing levels in the Organization are commensurate with the work being conducted. We believe determining adequate staffing for the Organization has been difficult to accomplish because its missions, goals, and plans have yet to be defined at a detailed level.

Management Actions: Several offices within the Organization are reviewing their work requirements and performing individual staffing analyses. In addition, the Organization is in the process of reviewing the Single Entry Time Reporting system codes.

Recommendation

Recommendation 3: To ensure resource staffing assignments are commensurate with the work being conducted, the Associate Chief Information Officer, Enterprise Services, should:

- Track individual assignments and work products, when applicable.
- Revise Single Entry Time Reporting system codes to provide a more accurate and detailed accounting of staffing and activities.
- Reevaluate staffing needs based upon current and future workloads to help prioritize and allocate resources. Once workload and resource plans are developed, this information should be used in developing business and action plans for each Organization office.

Management's Response: The Chief Information Officer agreed with our recommendation and stated the Organization would conduct an initiative aimed at reevaluating and improving existing Single Entry Time Reporting codes and define modifications to the code structure. In addition, the IRS will create an implementation plan to establish new Single Entry Time Reporting codes and processes to iteratively validate staffing needs based on defined missions and goals. In the interim, the



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Organization management team will work with the Single Entry Time Reporting administrator to determine existing capabilities, determine internal requirements to better monitor assignments and work products, establish new codes, and develop reports for more accurate tracking of staff and activities.

Office of Audit Comment: The IRS indicated the implementation plan for establishing new codes and informing the organization will be completed by April 1, 2008. While we concur with IRS plans to create an implementation plan, the IRS did not state when the new codes will begin to be used or when the staffing analysis will be completed. We would hope that implementing the new codes; conducting staffing analyses; and identifying, assigning, and tracking work would be completed as soon as possible to allow the IRS to objectively determine whether the staffing levels in the Organization are commensurate with the work being conducted.

The Organization needs to define performance measures

A purpose of the Government Performance and Results Act of 1993 is to improve on holding Federal Government agencies accountable for achieving program results. One way to achieve this accountability is through the development of performance plans with established performance goals that are objective, quantifiable, and measurable. The *Guide* states IRS organizations must define and validate metrics to measure and report their performance against plans and expectations.

Performance measures are not being captured for the overall Organization.

We determined performance measures are not being captured or reported for the overall Organization, and there are few measures being reported and tracked by its functions or offices. Without measures, the IRS can not objectively determine how well the Organization, or its individual functions and offices, are performing. Also, the IRS can not measure the Organization's ability to meet Modernization and Information Technology Services organization and IRS goals. We believe performance measurement has been difficult to accomplish because Organization missions, goals, and plans have yet to be defined at a detailed level to provide the foundation for the development and use of performance measures. In addition, the Organization was not required to provide measures during its initial operations.

Management Actions: Individual offices within the Organization are developing internal performance measures and metrics, and one office is developing and initiating customer satisfaction surveys. Currently, several offices within the Business Integration function are participating in a performance measures pilot.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Recommendation

Recommendation 4: To ensure performance is defined and measured, the Associate Chief Information Officer, Enterprise Services, should:

- Complete the current performance measures pilot.
- Identify performance measures for offices not included in the performance measures pilot.
- Identify key performance measures for the entire Organization, based on goals and missions as well as short-term and long-term plans.

Management's Response: The Chief Information Officer agreed with our recommendation and stated the IRS would complete the current performance measures pilot and identify performance measures for offices not included in the pilot as well as the Organization.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to determine whether internal controls were in place to ensure the Organization was achieving its mission efficiently and effectively. To accomplish this objective, we:

- I. Determined whether staffing levels were appropriately assigned and tracked to deliver results within the Business Integration and Systems Integration functions of the Organization.
 - A. Selected and reviewed a judgmental sample of 5 (approximately 33 percent) of 15 subordinate offices from the Business Integration and Systems Integration functions. We used judgmental sampling because we did not plan to project our sample results.
 - B. Identified and verified documented goals, missions, and priorities of the sampled offices.
 - C. Determined whether Single Entry Time Reporting¹ system reports matched the work performed in Fiscal Year 2006.
- II. Determined whether the design and structure of the Organization supported the goals and mission of the IRS and the Modernization and Information Technology Services organization.
 - A. Determined short-term and long-term goals for the Modernization and Information Technology Services organization and the Organization.
 - B. Determined whether the Organization's goals and design met the IRS' needs.
- III. Determined the processes established for measuring the Organization's overall performance.

¹ Appendix IV provides a glossary of terms.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Appendix II

Major Contributors to This Report

Margaret E. Begg, Assistant Inspector General for Audit (Information Systems Programs)
Gary Hinkle, Director
Troy Paterson, Audit Manager
Phung-Son Nguyen, Lead Auditor
Perrin Gleaton, Auditor
Linda Screws, Auditor



*Continued Improvements Are Needed for the Development and
Operations of the New Enterprise Services Organization*

Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Operations Support OS
Associate Chief Information Officer, Enterprise Services OS:CIO:ES
Director, Stakeholder Management OS:CIO:SM
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaisons:
 Associate Chief Information Officer, Enterprise Services OS:CIO:ES
 Manager, Program Oversight Office OS:CIO:SM:PO



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Appendix IV

Glossary of Terms

Term	Definition
Best Practice	A best practice is a technique or methodology that, through experience and research, has proven to reliably lead to a desired result.
Business Rule	A business rule is a statement that defines or constrains some aspect of the business.
Change Request	A change request is the medium for requesting approval to change a baselined product or other controlled item.
Concept of Operations	The Concept of Operations is a framework that includes a defined vision, strategic goals, operational themes, and program capabilities. It identifies key organizational concepts required to achieve the organization's vision.
Configuration Management	Configuration management involves establishing proper control over approved project documentation, hardware, and software and assuring changes are authorized, controlled, and tracked.
Highest Priority Initiatives	Highest Priority Initiatives are a program of continual process improvement with executive-level oversight. IRS executives identify the highest priority programs every 6 months and appoint an IRS executive and senior manager to oversee the execution of each Highest Priority Initiative.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Term	Definition
Human Resource Capacity Management Directive	This Human Resource Capacity Management Directive provides direction for implementing and complying with the Human Resource Capacity Management Model requirements. The Human Resource Capacity Management Model provides IRS personnel with the means to better estimate the human resources needed to support a project.
Information Technology Modernization Vision and Strategy	Information Technology Modernization Vision and Strategy establishes a 5-year plan that drives investment decisions; addresses the priorities around modernizing front-line tax administration and supporting technical capabilities; and leverages existing systems (where possible) and new development (where necessary) to optimize capacity, manage program costs, and deliver business value on a more incremental and frequent basis.
Infrastructure	Infrastructure is the fundamental structure of a system or organization. The basic, fundamental architecture of any system (electronic, mechanical, social, political, etc.) determines how it functions and how flexible it is to meet future requirements.
Metric	A metric is a standard of measurement.
MITRE Corporation	The MITRE Corporation was hired by the IRS as a Federally Funded Research and Development Center to assist with the IRS' systems modernization effort.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Term	Definition
Request for Information Services	A Request for Information Services is a formal memorandum requesting organization support for changes to current or planned programming, corporate hardware, commercial off-the-shelf software applications, system testing, and other activities used in processing tax information.
Single Entry Time Reporting	The Single Entry Time Reporting system is designed to accumulate time and attendance information for employees.
Unified Work Request Initiative	The Unified Work Request Initiative is an effort focused on consolidating the existing methods of requesting work from the Modernization and Information Technology Services organization into a single system using a common set of processes.



Appendix V

Enterprise Services Organization Accomplishments

The consolidation of existing Modernization and Information Technology Services organization functions and offices into the new Organization affected the duties and responsibilities of 522 IRS employees within the Business Integration function and 262 employees within the Systems Integration function. During the consolidation, individual offices within the two Organization functions have continued to perform prior operations while managing new roles and responsibilities. Some of the major accomplishments provided by the Organization in Fiscal Year 2006 are listed in Table 1.

Table 1: Examples of Organization Fiscal Year 2006 Accomplishments

Completed solutions, concepts, and support for over 40 projects.
Completed Information Technology Modernization Vision and Strategy planning and recommendations.
Initiated a pilot program for performance measures.
Completed a Human Resource Capacity Directive and management processes for use by projects.
Completed and deployed the Unified Work Request Initiative processes.
Completed the rollout of an instant messaging system.
Completed seven engineering alternative analyses.
Developed a Business Rules and Requirements Management Concept of Operations.
Developed a Draft Unified Work Request Concept of Operations.
Conducted a customer satisfaction survey with the IRS Office of Chief Counsel.
Mapped alternative business analysis systems to Department of the Treasurywide systems and common business processes.

Source: IRS Managers within the Organization.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Appendix VI

Enterprise Services Organization Structure

Developing an organization to incorporate operations and services at an enterprisewide level is a complex effort. Thus, the IRS has formed the Organization incrementally. Figure 1 provides a detailed timeline concerning the formation of the Organization.

Figure 1: Detailed Organization Timeline

January 2005	Appointment of a new Associate Chief Information Officer for the Enterprise Services Organization		
March 2005	<p style="text-align: center;">Initial standup of the Enterprise Services Organization</p> <ul style="list-style-type: none"> - Configuration Management - Project Management Processes - Demand Management - Systems Engineering 		
September 2005	<p style="text-align: center;">Functions formed in the Enterprise Services Organization</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;"><u>Business Integration</u></p> <ul style="list-style-type: none"> - Program Control and Process Management - Business Rules and Requirements - Program Management Services - Project Services - Client Services - Demand Management </td> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;"><u>Systems Integration</u></p> <ul style="list-style-type: none"> - Systems Engineering and Integration - Technical - Infrastructure Modernization - Release Management - Enterprise Architecture </td> </tr> </table>	<p style="text-align: center;"><u>Business Integration</u></p> <ul style="list-style-type: none"> - Program Control and Process Management - Business Rules and Requirements - Program Management Services - Project Services - Client Services - Demand Management 	<p style="text-align: center;"><u>Systems Integration</u></p> <ul style="list-style-type: none"> - Systems Engineering and Integration - Technical - Infrastructure Modernization - Release Management - Enterprise Architecture
<p style="text-align: center;"><u>Business Integration</u></p> <ul style="list-style-type: none"> - Program Control and Process Management - Business Rules and Requirements - Program Management Services - Project Services - Client Services - Demand Management 	<p style="text-align: center;"><u>Systems Integration</u></p> <ul style="list-style-type: none"> - Systems Engineering and Integration - Technical - Infrastructure Modernization - Release Management - Enterprise Architecture 		
May 2006	<p style="text-align: center;">Approved organizational change for the Enterprise Services Organization</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;"><u>Business Integration</u></p> <ul style="list-style-type: none"> - Business Integration Support and Services - Resource Management - Program Control and Process Management - Business Rules and Requirements Management - Program Management Office Services - Demand Management - Business Enablement and Client Services </td> <td style="width: 50%; vertical-align: top;"> <p style="text-align: center;"><u>Systems Integration</u></p> <ul style="list-style-type: none"> - Systems Integration Support and Services - Enterprise Architecture - Enterprise Data Management - Infrastructure Architecture and Engineering - Information Technology Security Engineering - Technology Release Management - Network Architecture and Engineering - Systems Architecture and Engineering </td> </tr> </table>	<p style="text-align: center;"><u>Business Integration</u></p> <ul style="list-style-type: none"> - Business Integration Support and Services - Resource Management - Program Control and Process Management - Business Rules and Requirements Management - Program Management Office Services - Demand Management - Business Enablement and Client Services 	<p style="text-align: center;"><u>Systems Integration</u></p> <ul style="list-style-type: none"> - Systems Integration Support and Services - Enterprise Architecture - Enterprise Data Management - Infrastructure Architecture and Engineering - Information Technology Security Engineering - Technology Release Management - Network Architecture and Engineering - Systems Architecture and Engineering
<p style="text-align: center;"><u>Business Integration</u></p> <ul style="list-style-type: none"> - Business Integration Support and Services - Resource Management - Program Control and Process Management - Business Rules and Requirements Management - Program Management Office Services - Demand Management - Business Enablement and Client Services 	<p style="text-align: center;"><u>Systems Integration</u></p> <ul style="list-style-type: none"> - Systems Integration Support and Services - Enterprise Architecture - Enterprise Data Management - Infrastructure Architecture and Engineering - Information Technology Security Engineering - Technology Release Management - Network Architecture and Engineering - Systems Architecture and Engineering 		

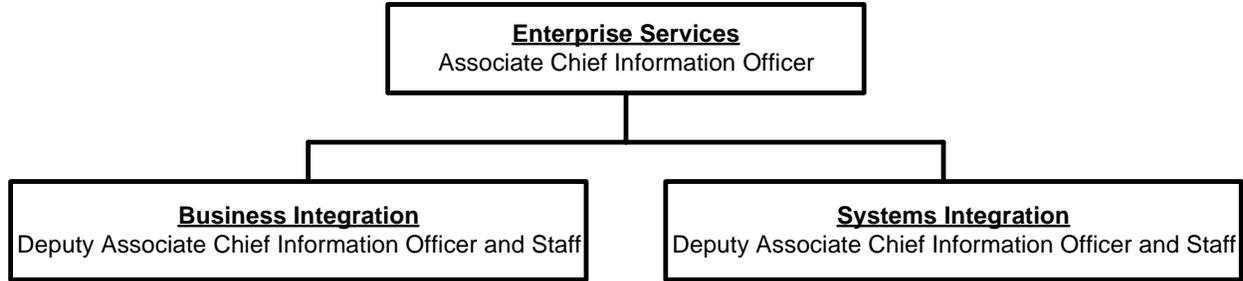
Source: Internal IRS documentation.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Figure 2 shows the Organization is comprised of two functions (Business Integration and Systems Integration).

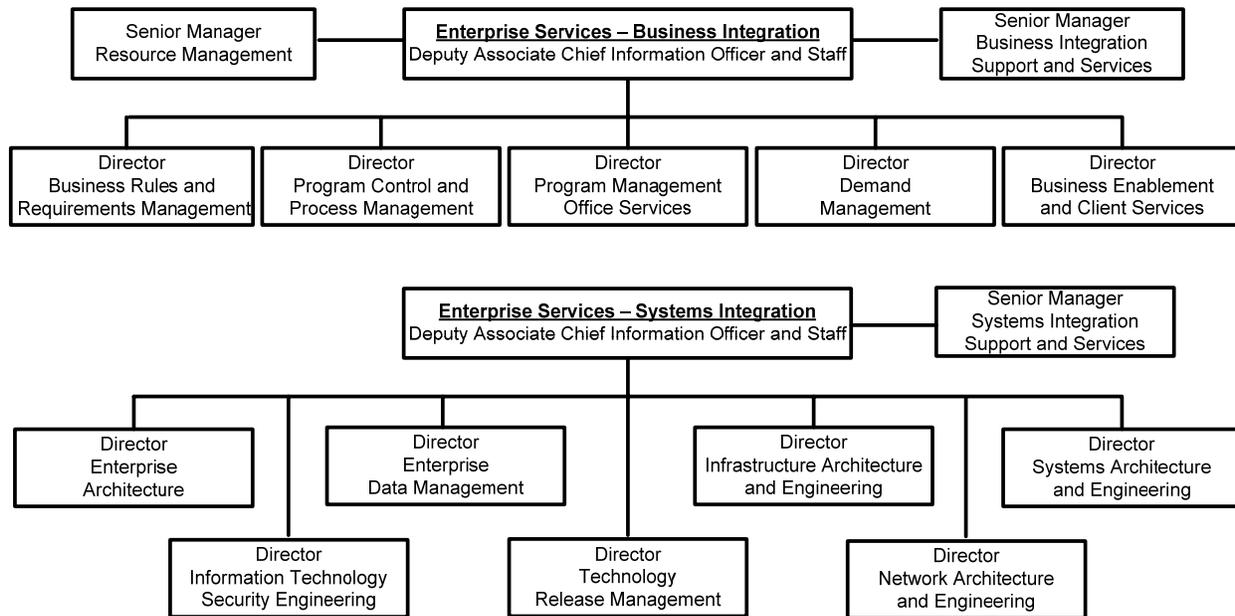
Figure 2: High Level Organization Structure



Source: IRS organizational documents as of May 2006.

Figure 3 provides the organizational structures of the Business Integration and Systems Integration functions within the Organization.

Figure 3: Business Integration and Systems Integration Function Structures



Source: IRS organizational documents as of May 2006.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Appendix VII

Management's Response to the Draft Report



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

RECEIVED
APR 11 2007

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Richard A. Spires
Chief Information Officer

SUBJECT: Draft Audit Report - Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization (Audit #200620010)

Thank you for the opportunity to review the subject draft audit report and to meet with the audit team to discuss earlier draft report observations. As a result of our meetings, the audit team has incorporated some of our suggestions into the draft report.

We also appreciate your comments and observations that are salient to standing up an information technology organization, such as Enterprise Services (ES), which is responsible for providing diverse, cross-cutting services. We have been working hard to provide uninterrupted service to our customers while standing up ES, and are pleased that your report recognizes the level of effort and the numerous results that we have achieved to date.

We also acknowledge and appreciate the audit team's advice on ways to further improve the process to effectively manage and monitor ES. As you know, we continue to evaluate all recommendations to our operating model and will include your suggestions in our future implementation plans as we refine the organization, its roles, and responsibilities. We fully agree with the recommendations reflected in the report and the attachment to this memo details our planned actions to implement your suggestions.

We appreciate your continued support and the valuable assistance and guidance that your team provides. If you have any questions, please contact me at (202) 622-6800. Members of your staff may also contact Perry Robinett, Director of Program Oversight, at (202) 283-6283.

Attachment



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Draft Report – Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization (Audit #200620010)

RECOMMENDATION #1: To ensure the continued orderly evolution of the ES organization, the Associate Chief Information Officer, ES, should complete the work necessary to appropriately identify, document, and validate missions and goals at all levels, functions, and offices of the new ES organization.

CORRECTIVE ACTION #1: We agree with this recommendation. The IRS will document the mission and goals for the overall Enterprise Services (ES) domain as well as for its divisions. These missions and goals will continue to be validated and updated as ES completes its iterative planning cycle.

IMPLEMENTATION DATE: December 1, 2007

RESPONSIBLE OFFICIAL: Associate Chief Information Officer, Enterprise Services

CORRECTIVE ACTION MONITORING PLAN: We enter accepted Corrective Actions into the Joint Audit Management Enterprise System (JAMES). These Corrective Actions are monitored on a monthly basis until completion.

RECOMMENDATION # 2: To ensure the continued orderly evolution of the ES organization, the Associate Chief Information Officer, ES, should develop and document short- and long-term transformational plans tied to missions, goals, and strategic plans of the MITS organization and the IRS.

CORRECTIVE ACTION #2: We agree with this recommendation. The IRS will construct a high-level approach for refining ES' strategic plans. This approach will address an iterative planning process for developing short- and long-term transition plans for ES.

As interim steps, the ES management team will meet regularly to refine priorities and integrate our planning approaches with our products and services already in-flight. We will select priorities based on MITS management and stakeholder feedback and will continue to work with our partners to address collaborative approaches to accomplishing our priorities. We will also participate in the five strategic plan initiatives.

IMPLEMENTATION DATE: February 1, 2008

RESPONSIBLE OFFICIAL: Associate Chief Information Officer, Enterprise Services

CORRECTIVE ACTION MONITORING PLAN: We enter accepted Corrective Actions into the Joint Audit Management Enterprise System (JAMES). These Corrective Actions are monitored on a monthly basis until completion.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Draft Report – Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization (Audit #200620010)

RECOMMENDATION #3: To ensure resource staffing assignments are commensurate with the work being conducted, the Associate Chief Information Officer, ES, should:

- a. Track individual assignments and work products, when applicable.
- b. Revise Single Entry Time Reporting system codes to provide a more accurate and detailed accounting of staffing and activities.
- c. Reevaluate staffing needs based upon current and future workloads to help prioritize and allocate resources. Once workload and resource plans are developed, this information should be used in developing business and action plans for each ES office.

CORRECTIVE ACTION #3: We agree with this recommendation. ES will conduct an initiative aimed at re-evaluating and improving the existing Single Entry Time Reporting (SETR) codes within the current capabilities of the SETR system. The ES management team will define the appropriate modifications to the SETR code structure. An implementation plan will be created for establishing new codes and informing the organization of the planned use of the new codes and Work, Planning, and Control (W&PC) report tools. ES will create processes to iteratively validate current and ongoing staffing needs based on defined missions and goals.

As interim steps for creating the referenced processes, the management team will work with the SETR administrator to determine existing capabilities and determine its internal requirements to better monitor assignments and work products. We will work with the SETR administrator to establish new codes as appropriate and develop reports that will provide more accurate tracking of staffing and activities.

IMPLEMENTATION DATE: April 1, 2008

RESPONSIBLE OFFICIAL: Associate Chief Information Officer, Enterprise Services

CORRECTIVE ACTION MONITORING PLAN: We enter accepted Corrective Actions into the Joint Audit Management Enterprise System (JAMES). These Corrective Actions are monitored on a monthly basis until completion.

RECOMMENDATION #4: To ensure performance is defined and measured, the Associate Chief Information Officer, ES, should:

- a. Complete the current performance measures pilot.
- b. Identify performance measures for offices not included in the performance measures pilot.
- c. Identify key performance measures for the entire ES organization, based on goals and missions as well as short- and long-term plans.



Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization

Draft Report – Continued Improvements Are Needed for the Development and Operations of the New Enterprise Services Organization (Audit #200620010)

CORRECTIVE ACTION #4: We agree with this recommendation. The current Performance Measures pilot will be completed. In addition, the IRS will identify performance measures for offices not included in the pilot as well as for ES.

IMPLEMENTATION DATE: April 1, 2008

RESPONSIBLE OFFICIAL: Associate Chief Information Officer, Enterprise Services

CORRECTIVE ACTION MONITORING PLAN: We enter accepted Corrective Actions into the Joint Audit Management Enterprise System (JAMES). These Corrective Actions are monitored on a monthly basis until completion.