



Treasury Inspector General for Tax Administration Office of Audit

ANNUAL ASSESSMENT OF THE BUSINESS SYSTEMS MODERNIZATION PROGRAM

Issued on September 14, 2009

Highlights

Highlights of Report Number: 2009-20-136 to the Internal Revenue Service Chief Technology 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. The objective of the Modernization Program is to address this complex effort, 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 2009 Annual Audit Plan under the major management challenge of Modernization of the IRS. TIGTA is required to assess and report annually on the progress of the IRS' Modernization Program.

WHAT TIGTA FOUND

For the past year, Modernization Program management development activities have generally met the objectives of the IRS Modernization Program. These activities included the development and implementation of strategic planning and program management efforts in the form of the Information Technology Modernization Vision and Strategy, Enterprise Data Access and Data Strategy Implementation Programs, and a tiered program management structure designed to act as an enterprise governance model.

The Modernization Program has also continued to develop and deploy modernized applications. New capabilities include enhancements to the Customer Account Data Engine that incorporated new tax law provisions and the ability of IRS employees to access taxpayer account information through the Account Management Services system.

The IRS has recognized that it faces significant challenges in meeting the requirements of the next phase of project development and systems integration. The immediate challenge is the future of the Customer Account Data Engine. The IRS Program Integration

Office is considering using elements from the Individual Master File and the current Customer Account Data Engine to significantly reengineer the IRS tax account management process. The continued improvement to managing individual taxpayer accounts will be curtailed until the use of the reengineered database is implemented and made available for integration with other systems and applications. Further, the challenge in modernizing the management of business taxpayer accounts has yet to be considered.

The past year's Modernization Program performance did not continue the trend of improvement it demonstrated in the prior 3 years in delivering projects within estimated ranges for development costs and schedule variance. The IRS has also experienced a turnover of executives that challenges the Program's continued long-term success. Further, a control process to manage the Modernization and Information Technology Services organization's *Highest Priority Initiatives* process has been discontinued. The Customer Relationship and Service Delivery organization is currently developing processes that will be used to replace the *Highest Priority Initiatives* process.

Since 1995, the IRS has identified and reported the Modernization Program as a material weakness. The IRS recognizes the need to incorporate necessary program management disciplines and has plans to implement a process improvement strategy. This strategy will allow the Modernization Program to continue to improve its management practices by incorporating industry best practices. However, the Modernization Program should continue as a material weakness until the modernization material weakness action plan is updated and the improvement strategy is accomplished.

WHAT TIGTA RECOMMENDED

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

In their response to the draft report, IRS officials responded that the IRS was pleased that the annual assessment recognized the accomplishments in providing quality customer service. The IRS also appreciated acknowledgement of the continued development and deployment of modernized applications. In response to TIGTA's comments on the use of the Information Technology Modernization Vision and Strategy planning process, the IRS related that it expanded the breadth of the business technology included in this strategy and plans to establish a pre-selection process for investment planning.

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/200920136fr.pdf>.

Email Address: inquiries@tigta.treas.gov
Web Site: <http://www.tigta.gov>

Phone Number: 202-622-6500