

Exhibit 300 (BY2010)

PART ONE

OVERVIEW

1. Date of Submission:
2009-04-10
2. Agency:
015
3. Bureau:
45
4. Name of this Capital Asset:
Customer Account Data Engine (CADE)
5. Unique Project Identifier:
015-45-01-14-01-4676-00
6. What kind of investment will this be in FY2010?
Mixed Life Cycle
7. What was the first budget year this investment was submitted to OMB?
FY2007

8. Provide a brief summary and justification for this investment, including a brief description of how this closes in part or in whole an identified agency performance gap.

This submission is the BY10 E300 for \$83.544M. The IRS is critically dependent on obsolete, fundamentally deficient computer systems developed over 40 years ago. CADE will provide the data foundation for a modernized IRS by replacing the Individual Master File (IMF) and enabling the replacement of related Integrated Data Retrieval System (IDRS) components with new technology, new applications, and new databases. CADE creates applications for daily posting, settlement, maintenance, refund processing, and issue detection for individual taxpayer tax account and return data. The database and applications developed under the CADE umbrella also enable the development of subsequent modernized systems that improve customer service and compliance. The approach to investments in CADE is in alignment with OMB A-130, Clinger-Cohen, and the IRS' Enterprise Life Cycle methodology. CADE is to be developed incrementally in seven releases with two semi-annual releases per year, one in January and the other in July. The January releases include filing season and tax law changes with minimal new functionality. The July releases focus on new functionality and any necessary tax law changes. This approach delivers more business capability earlier with fewer risks. Migrating taxpayers by segments is predicated upon making limited and controlled investments in IRS tax database modernization starting with the least complex processing environment. At the conclusion of Release 7, CADE will have replaced the IMF and the IRS will conduct business more differently than it does today. CADE ensures tax refunds are paid timely, thus furthering the goal to ensure all federal payments are accurate and timely. Since refunds will be issued very quickly, usually within 4-6 days from posting in CADE, taxpayers will have drastically reduced incentive to pay for a Refund Anticipation Loan (RAL) compared to the current situation. CADE data will be current, complete, and accurate and will allow on-line access and updates to taxpayer accounts, thus improving processing efficiency. CADE will make more accurate and timely tax data available to IRS auditors, thus increasing their performance. CADE increases overall performance by providing the authoritative data necessary to detect issues earlier and identify potential areas of non-compliance. Early and prompt identification of potential tax preparation problems reduce the burden on taxpayers to fully comply with current tax code.

9. Did the Agency's Executive/Investment Committee approve this request?
yes
- 9.a. If "yes," what was the date of this approval?
2008-06-24
10. Did the Program/Project Manager review this Exhibit?
yes
11. Program/Project Manager Name:
Townsend, Amos
Program/Project Manager Phone:
202 283-6831
Program/Project Manager Email:
Amos.C.Townsend@irs.gov

- 11.a. What is the current FAC-P/PM certification level of the project/program manager?
Senior/Expert/DAWIA-Level 3
- 11.b. When was the Program/Project Manager Assigned?
2004-04-01
- 11.c. What date did the Program/Project Manager receive the FACP/PM certification? If the certification has not been issued, what is the anticipated date for certification?
2008-09-08
12. Has the agency developed and/or promoted cost effective, energy-efficient and environmentally sustainable techniques or practices for this project.
no
- 12.a. Will this investment include electronic assets (including computers)?
yes
- 12.b. Is this investment for new construction or major retrofit of a Federal building or facility? (answer applicable to non-IT assets only)
no
13. Does this investment directly support one of the PMA initiatives?
yes
- If yes, select the initiatives that apply:
Financial Performance
Human Capital
- 13.a. Briefly and specifically describe for each selected how this asset directly supports the identified initiative(s)? (e.g. If E-Gov is selected, is it an approved shared service provider or the managing partner?)
CADE supports Financial Performance by improving accuracy, access, and timeliness of taxpayer account information; accuracy of balances in revenue accounting systems; and providing information to support financial management decisions. HUMAN CAPITAL: CADE participates in the human resource capacity model developed by IRS which captures HR requirements for all phases of the investment life cycle, projects staffing requirements to manage the investment solution, and assists strategic planning.
14. Does this investment support a program assessed using the Program Assessment Rating Tool (PART)?
no
- 14.a. If yes, does this investment address a weakness found during the PART review?
no
15. Is this investment for information technology?
yes
16. What is the level of the IT Project (per CIO Council's PM Guidance)?
Level 3
17. What project management qualifications does the Project Manager have? (per CIO Council's PM Guidance)
(1) Project manager has been validated as qualified for this investment
18. Is this investment identified as high risk on the Q4 - FY 2008 agency high risk report (per OMB memorandum M-05-23)?
yes
19. Is this a financial management system?
no
- 19.a.1. If yes, which compliance area:
N/A
- 19.a.2. If no, what does it address?
N/A
- 19.b. If yes, please identify the system name(s) and system acronym(s) as reported in the most recent financial systems inventory update required by Circular A11 section 52.
N/A
20. What is the percentage breakout for the total FY2010 funding request for the following? (This should total 100%)

Area	Percentage
Hardware	1
Software	1
Services	93
Other	6

21. If this project produces information dissemination products for the public, are these products published to the Internet in conformance with OMB Memorandum 05-04 and included in your agency inventory, schedules and priorities?
no

22. Contact information of individual responsible for privacy related questions.

Name

Phone Number

Title

Email

23. Are the records produced by this investment appropriately scheduled with the National Archives and Records Administration's approval?

yes

24. Does this investment directly support one of the GAO High Risk Areas?

yes

SUMMARY OF SPEND

1. Provide the total estimated life-cycle cost for this investment by completing the following table. All amounts represent budget authority in millions, and are rounded to three decimal places. Federal personnel costs should be included only in the row designated Government FTE Cost, and should be excluded from the amounts shown for Planning, Full Acquisition, and Operation/Maintenance. The total estimated annual cost of the investment is the sum of costs for Planning, Full Acquisition, and Operation/Maintenance. For Federal buildings and facilities, life-cycle costs should include long term energy, environmental, decommissioning, and/or restoration costs. The costs associated with the entire life-cycle of the investment should be included in this report.

All amounts represent Budget Authority

Note: For the cross-agency investments, this table should include all funding (both managing partner and partner agencies).

Government FTE Costs should not be included as part of the TOTAL represented.

Cost Type	Py-1 & Earlier -2007	PY 2008	CY 2009	BY 2010
Planning Budgetary Resources	112.754	4.105	0.190	3.210
Acquisition Budgetary Resources	381.160	48.949	51.522	47.453
Maintenance Budgetary Resources	30.484	13.199	12.848	15.857
Government FTE Cost	44.971	13.229	9.500	16.500
# of FTEs	372	108	73	127

Note: For the cross-agency investments, this table should include all funding (both managing partner and partner agencies).

Government FTE Costs should not be included as part of the TOTAL represented.

2. Will this project require the agency to hire additional FTE's?

yes

2.a. If "yes," how many and in what year?

The selected Alternative is a Mixed Application Development Team. It is also the Status Quo for CADE. The CADE Development Team for this Alternative is a mixture of Govt. FTEs and Contractor FTEs. Gov FTEs developing CADE Application by leveraging the Contract support, where and when needed. Currently, we have a Govt. FTE Co-development Team in place. It is anticipated that as the work load increase will require hiring more Gov. FTE in FY 10. CADE anticipates an increase to 132 FTE.

3. If the summary of spending has changed from the FY2009 President's budget request, briefly explain those changes.

The Customer Account Data Engine Programs (CADE) receives funding from three Appropriations. (1) IRS Business Systems Modernization (BSM) Appropriation (2) IRS Taxpayer Services/Enforcement (TS) Appropriation, and (3) the Operations Support Appropriation. This summary of spending reflects changes 2008 to 2010 Appropriations.

PERFORMANCE

In order to successfully address this area of the exhibit 300, performance goals must be provided for the agency and be linked to the annual performance plan. The investment must discuss the agency's mission and strategic goals, and performance measures (indicators) must be provided. These goals need to map to the gap in the agency's strategic goals and objectives this investment is designed to fill. They are the internal and external performance benefits this investment is expected to deliver to the agency (e.g., improve efficiency by 60 percent, increase citizen participation by 300 percent a year to achieve an overall citizen participation rate of 75 percent by FY 2xxx, etc.). The goals must be clearly measurable investment outcomes, and if applicable, investment outputs. They do not include the completion date of the module, milestones, or investment, or general goals, such as, significant, better, improved that do not have a quantitative measure.

Agencies must use the following table to report performance goals and measures for the major investment and use the Federal Enterprise Architecture (FEA) Performance Reference Model (PRM). Map all Measurement Indicators to the corresponding Measurement Area and Measurement Grouping identified in the PRM. There should be at least one Measurement Indicator for each of the four different Measurement Areas (for each fiscal year). The PRM is available at www.egov.gov. The table can be extended to include performance measures for years beyond the next President's Budget.

	Fiscal Year	Strategic Goal Supported	Measurement Area	Measurement Grouping	Measurement Indicator	Baseline	Planned Improvement to the Baseline	Actual Results
1	2004	Effectively Managed U.S. Government Finances	Technology	Functionality	Initial deployment of CADE will be the first step in modernizing master file processing. Release 1 will successfully process a subset of 1040EZs, and issue refunds.	Performance Goals will be measured and reported starting in CY 2005.	Deliver initial operating capabilities(IOC).	Initial operating capability (IOC) delivered.
2	2004	Effectively Managed U.S. Government Finances	Mission and Business Results	Taxation Management	Reduce cycle time to post a return to same day the return received by CADE, for the subset of 1040EZ filers processed by CADE.	5-9 days	This is measured from the point in the processing cycle when the return information is sent from the Campus to the Enterprise Computing Center at Martinsburg (ECCM) until it is posted by CADE.	A process was in place to record when transmissions were received by ECCM, and when accounts were posted to CADE to measure the reduction in cycle time.
3	2004	Effectively Managed U.S. Government Finances	Processes and Activities	Cycle Time	Reduce the cycle time to issue an electronic refund for the subset of 1040EZ filers processed by	5-11 days	This is measured from the point in the processing cycle when the return information is sent from the Campus to the	A process was in place to record when transmissions were received by ECCM, and when FMS

					CADE to 4 business days.		Enterprise Computing Center at Martinsburg (MTB) until refund is issued by FMS.	issued refunds to taxpayer accounts in order to measure the reduction in refund issuance time.
4	2004	Effectively Managed U.S. Government Finances	Customer Results	System Response Time	Reduce the cycle time to issue a paper refund for the subset of 1040EZ filers processed by CADE to 6 business days.	6 to 20 days	This is a measured from the point in processing cycle when the return information is sent from the Campus to the Enterprise Computing Center at Martinsburg (MTB) until refund is issued by FMS.	A process was in place to record when transmissions were received by ECCM, and when FMS issued refunds to taxpayer accounts in order to measure the reduction in refund issuance time.
5	2005	Effectively Managed U.S. Government Finances	Processes and Activities	Cycle Time	Reduce cycle time to post a return the same day the return received by CADE, for the subset of 1040EZ filers processed by CADE.	5-9 days	This is measured from the point in the processing cycle when the return information is sent from the Campus to the Enterprise Computing Center at Martinsburg (MTB) until it is posted by CADE.	A process is in place to record when transmissions are received by ECCM, and when accounts are posted to CADE to measure the reduction in cycle time.
6	2005	Effectively Managed U.S. Government Finances	Mission and Business Results	Taxation Management	Increase the volume of returns processed	0	1,400,000	1,423,517
7	2005	Effectively Managed U.S. Government Finances	Customer Results	System Response Time	Increase the number of refunds generated	0054-03-01	1,300,000	1,405,164
8	2006	Effectively Managed U.S. Government Finances	Mission and Business Results	Taxation Management	Increase the volume of returns processed.	1,430,000	4,000,000	7,300,000
9	2006	Effectively Managed U.S. Government Finances	Customer Results	System Response Time	Increase the amount of refunds generated, in millions.	0400-01-01	0400-03-01	0435-03-01

10	2007	Effectively Managed U.S. Government Finances	Customer Results	System Response Time	The percentage of refunds issued within acceptable timeframe of 40 days or less	98.4	99.2	99.1
11	2007	Effectively Managed U.S. Government Finances	Processes and Activities	Cycle Time	The percentage of days for CADE processing cycle completion is within 24 hours or less	0.	92.	97.00
12	2007	Effectively Managed U.S. Government Finances	Mission and Business Results	Taxation Management	The percentage of Form 1040 returns processed by CADE compared to the total forms 1040s returns processed by IMF and CADE	0.	21.5	11.
13	2007	Effectively Managed U.S. Government Finances	Technology	Availability	Availability of CADE Online Address Change Service	0.	0.	0.
14	2008	Effectively Managed U.S. Government Finances	Customer Results	System Response Time	The percentage of refunds issued within acceptable timeframe of 40 days or less	99.1	99.2	99.87
15	2008	Effectively Managed U.S. Government Finances	Processes and Activities	Cycle Time	The percentage of days for CADE processing cycle completion is within 24 hours or less	97.	98.	95
16	2008	Effectively Managed U.S. Government Finances	Mission and Business Results	Taxation Management	The percentage of Form 1040 returns processed by CADE compared to the total forms 1040s returns processed by IMF and CADE	11.	24.	20
17	2008	Effectively Managed U.S. Government Finances	Technology	Availability	Availability of CADE Online Address Change Service	0.	90.	96.64
18	2009	Effectively Managed U.S.	Customer Results	System Response Time	The percentage of individual refunds	0.	25	

		Government Finances			processed by CADE			
19	2009	Effectively Managed U.S. Government Finances	Processes and Activities	Cycle Time	The percentage of days for CADE processing cycle completion is within 24 hours or less	95.	98.	
20	2009	Effectively Managed U.S. Government Finances	Mission and Business Results	Taxation Management	The percentage of individual returns processed by CADE compared to the total individual returns processed by IRS	20	25.	
21	2009	Effectively Managed U.S. Government Finances	Technology	Service Availability	Availability of CADE Online Address Change Service	96.64	95.	
22	2010	Effectively Managed U.S. Government Finances	Customer Results	Response Time	The percentage of individual refunds processed by CADE	0.	25.	
23	2010	Effectively Managed U.S. Government Finances	Processes and Activities	Cycle Time	The percentage of days for CADE processing cycle completion is within 24 hours or less	95.	98.	
24	2010	Effectively Managed U.S. Government Finances	Mission and Business Results	Taxation Management	The percentage of individual returns processed by CADE compared to the total individual returns processed by IRS	20.	25.	
25	2010	Effectively Managed U.S. Government Finances	Technology	Availability	Availability of CADE Online Address Change Service	96.64	95.	

Enterprise Architecture

In order to successfully address this area of the business case and capital asset plan you must ensure the investment is included in the agency's EA and Capital Planning and Investment Control (CPIC) process, and is mapped to and supports

the FEA. You must also ensure the business case demonstrates the relationship between the investment and the business, performance, data, services, application, and technology layers of the agency's EA.

1. Is this investment included in your agency's target enterprise architecture?

yes

2. Is this investment included in the agency's EA Transition Strategy?

yes

2.a. If yes, provide the investment name as identified in the Transition Strategy provided in the agency's most recent annual EA Assessment.

Customer Account Data Engine (CADE)

3. Is this investment identified in a completed (contains a target architecture) and approved segment architecture?

no

3.a. If yes, provide the six digit code corresponding to the agency segment architecture. The segment architecture codes are maintained by the agency Chief Architect.

180-000

4. Identify the service components funded by this major IT investment (e.g., knowledge management, content management, customer relationship management, etc.). Provide this information in the format of the following table. For detailed guidance regarding components, please refer to <http://www.whitehouse.gov/omb/egov/>.

Component: Use existing SRM Components or identify as NEW. A NEW component is one not already identified as a service component in the FEA SRM.

Reused Name and UPI: A reused component is one being funded by another investment, but being used by this investment. Rather than answer yes or no, identify the reused service component funded by the other investment and identify the other investment using the Unique Project Identifier (UPI) code from the OMB Ex 300 or Ex 53 submission.

Internal or External Reuse?: Internal reuse is within an agency. For example, one agency within a department is reusing a service component provided by another agency within the same department. External reuse is one agency within a department reusing a service component provided by another agency in another department. A good example of this is an E-Gov initiative service being reused by multiple organizations across the federal government.

Funding Percentage: Please provide the percentage of the BY requested funding amount used for each service component listed in the table. If external, provide the funding level transferred to another agency to pay for the service.

	Agency Component Name	Agency Component Description	Service Type	Component	Reused Component Name	Reused UPI	Internal or External Reuse?	Funding %
1	Customer / Account Management	A major feature of the CADE design is the capability to settle accounts on a per-transaction basis.	Customer Relationship Management	Customer / Account Management			No Reuse	40
2	Loading and Archiving	CADE will examine each legacy transactions for CADE eligibility, and then load the transaction records that are eligible for further CADE processing into CADE Database.	Data Management	Loading and Archiving			No Reuse	10
3	Extraction and Transformation	CADE provides various output files and reports to legacy to support existing business processes and systems while both CADE and IMF are being used.	Data Management	Extraction and Transformation			No Reuse	30
4	Get Taxpayer Address of Record	Retrieves current name and address for identified taxpayer	Customer Relationship Management	Customer / Account Management			No Reuse	10
5	Update Taxpayer Address	Get Taxpayer address of record and update/change address	Customer Relationship Management	Customer / Account Management			No Reuse	10

5. To demonstrate how this major IT investment aligns with the FEA Technical Reference Model (TRM), please list the Service Areas, Categories, Standards, and Service Specifications supporting this IT investment.

FEA SRM Component: Service Components identified in the previous question should be entered in this column. Please enter multiple rows for FEA SRM Components supported by multiple TRM Service Specifications.

Service Specification: In the Service Specification field, Agencies should provide information on the specified technical standard or vendor product mapped to the FEA TRM Service Standard, including model or version numbers, as appropriate.

	SRM Component	Service Area	Service Category	Service Standard	Service Specification (i.e., vendor and product name)
1	Extraction and Transformation	Service Interface and Integration	Integration	Enterprise Application Integration	IRS Developed Application Software
2	Loading and Archiving	Service Interface and Integration	Interface	Service Description / Interface	IRS Developed Application Software
3	Extraction and Transformation	Component Framework	Data Interchange	Data Exchange	XML

4	Extraction and Transformation	Service Interface and Integration	Interface	Service Description / Interface	IRS Developed Application Software
5	Loading and Archiving	Service Interface and Integration	Interoperability	Data Format / Classification	XML
6	Extraction and Transformation	Service Interface and Integration	Interoperability	Data Transformation	IRS Developed Application Software
7	Loading and Archiving	Service Interface and Integration	Interoperability	Data Types / Validation	XML Schema
8	Loading and Archiving	Service Platform and Infrastructure	Database / Storage	Database	IBM, DB2
9	Extraction and Transformation	Service Interface and Integration	Integration	Enterprise Application Integration	IRS Developed Application Software
10	Customer / Account Management	Service Interface and Integration	Integration	Enterprise Application Integration	IRS Developed Application Software
11	Customer / Account Management	Service Interface and Integration	Integration	Enterprise Application Integration	Get Taxpayer Address of Record
12	Customer / Account Management	Service Interface and Integration	Integration	Enterprise Application Integration	Update Taxpayer Address

6. Will the application leverage existing components and/or applications across the Government (i.e., FirstGov, Pay.Gov, etc)?

yes

6.a. If yes, please describe.

Yes, CADE leverages off the existing components. CADE will interface with Treasury's Financial Management System. Future CADE Releases will provide interfaces with applications in the Social Security Administration, Census Bureau, in addition to federal, state, and local governments.

PART TWO

RISK

You should perform a risk assessment during the early planning and initial concept phase of the investment's life-cycle, develop a risk-adjusted life-cycle cost estimate and a plan to eliminate, mitigate or manage risk, and be actively managing risk throughout the investment's life-cycle.

Answer the following questions to describe how you are managing investment risks.

1. Does the investment have a Risk Management Plan?

yes

1.a. If yes, what is the date of the plan?

2008-04-28

1.b. Has the Risk Management Plan been significantly changed since last year's submission to OMB?

no

3. Briefly describe how investment risks are reflected in the life cycle cost estimate and investment schedule:

CADE's milestones are risk adjusted. CADE performs exceptional risk management with each of the releases. All releases R1.2 through 2.1 have deployed within cost. CADE performed a Monte Carlo analysis on the expected Source Lines of Code (SLOC) using @Risk software, applying trend analyses of prior releases. Two Standard Deviations are applied to the expected value of Source Lines of Code (SLOC) estimate for each release. Environmental factors are included with each release, using factors such as programmer and management capabilities, personnel continuity, and integration team complexity. Also, within Releases 4.2, 5.2, 6.2, and 7.2 a contingency deployment is estimated to ensure the new tax law changes are implemented in January. Each contingency contains the tax law changes built on the prior year baseline, without adding any new functionality. This directly mitigates the risk of late deployment of tax law changes, experienced with R2.2 in 2007. CADE utilizes the MS Excel add-on software package @Risk to perform Monte Carlo simulation on the performance metrics, benefits, ROI, and NPV calculations, creating maximum, minimum, and mean dollar calculations for each. The mean dollar calculations for these are included in the E300 within the cost benefit analysis. Technically, the CBA reflects the probable outcome for each of these calculations, using a variety of distribution curves. Therefore, the CBA is risk adjusted as well as the life cycle cost estimate.

COST & SCHEDULE

1. Does the earned value management system meet the criteria in ANSI/EIA Standard 748?

yes

2. Is the CV% or SV% greater than $\hat{A} \pm 10\%$?

no

3. Has the investment re-baselined during the past fiscal year?

no