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**SPECIAL REPORT RELEASED BY IRS OVERSIGHT BOARD ON  
IRS BUSINESS SYSTEMS MODERNIZATION PROGRAM**

(Washington, DC) The IRS Oversight Board has released an independent analysis of the IRS Business Systems Modernization (BSM) program. In its report, the Board makes nine specific recommendations for turning around the critical but troubled program that has experienced significant and unacceptable delays and cost overruns.

The Oversight Board specifically recommended that the Prime contractor's performance be closely monitored, and if significant improvements are not quickly demonstrated, a leadership change should be made.

Board Chair Nancy Killefer stressed that the independent analysis was not about "affixing blame, but rather fixing the problems" that have prevented BSM from succeeding. She also praised IRS Commissioner Mark W. Everson for his aggressive "action plan" to fix Modernization.

"The Board still believes that the overall Modernization plan is sound and well-designed. We hope that this rigorous and honest analysis and the recommendations contained in it will help get the BSM program back on track," Killefer said.

Board Business Transformation Committee Chair Larry Levitan echoed those concerns. "Over time, the existing systems will become impossible to maintain and at that point, the ability to administer our country's tax system will be in grave danger. Such a risk to our nation is unacceptable. The IRS and the Prime must get it right this time."

The Board's report, "Independent Analysis of IRS Business Systems Modernization," is provided as a separate attachment.

***IRS Performance Continues Upward Trend***

At its December 3<sup>rd</sup> meeting, the Board also discussed the IRS' FY 2003 year-end performance report, which showed improvements in most of the agency's major programs, such as toll-free telephone service for taxpayers seeking help with their tax law and account questions. Telephone assistor level of service increased from 68 percent in

FY 2002 to 80 percent in FY 2003. Toll-free customer satisfaction grew by more than 70 percent over the same period, jumping from 55 to 95 percent.

Board Chair Killefer observed, “These improvements are gratifying for two reasons. First, more taxpayers are beginning to receive the help they need to comply with a complex and confusing tax code. Second, these key indicators prove that the long-term investments made in customer service are starting to pay off and provide their intended benefits. We must now stay the course to avoid any reversal in this very promising trend.”

***Discussion with Treasury Secretary***

Earlier this year, the Board submitted its recommended FY2005 budget for the IRS to the Department of Treasury. In February, the President will present his request for funding the government to Congress. At its December 3<sup>rd</sup> meeting, the Board shared with Treasury Secretary John Snow its views regarding the IRS’ budget, underscoring its concerns at having adequate resources to keep pace with a complex tax code, a growing increase in complex tax returns, and a proliferation of abusive tax shelters.

“From a private sector perspective, investing in our ability to administer our voluntary tax system, which funds our government, is fundamental. It is also fundamental to deal with deficit issues,” said Chair Killefer. “As the Board said in its 2003 Annual Report, the IRS needs stable, additional funding to do the work taxpayers expect and need.”

***Board Releases E-Filing Report***

The Board released its annual Electronic Filing report to Congress, saying that it is unlikely that the IRS will meet its congressionally mandated goal of 80 percent of individual electronic tax returns by 2007.

“Although potential incentives [exist], reaching the 80 percent goal at this point requires a major and most likely unrealistic change in tax preparer and taxpayer behavior,” the report states.

The report calls for broader e-filing educational and marketing efforts, and possible additional benefits and incentives for e-filers. The report is available on the Board’s web site at [www.irsoversightboard.do.gov](http://www.irsoversightboard.do.gov).

***Board to Host Open Meeting***

The Board’s next meeting will be held January 27-28, 2004 in Washington, DC. On January 27, the Board will hold its annual open meeting to hear the views and concerns of stakeholder groups on issues relating to the IRS. Additional details will be made available in the coming weeks.