DEPUTY COMMISSIONER

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

July 29, 2002

MEMORANDUM FOR DAVID C. WILLIAMS
TREASURY INSPECTOR GENERAL FOR
TAX ADMINISTRATION

FROM: John C. Reece
Deputy Commissioner for Modernization &
Chief Information Officer

SUBJECT: Draft Management Advisory Report – Progress Has Been Made in Establishing a Secure Modernization Infrastructure; However, Continuing Risks Could Impact Timely Deployment of Modernization Projects (Audit # 200220020)

The IRS' Business Systems Modernization (BSM) program is a long-term project that will revolutionize the way the IRS conducts business with taxpayers and manages its business processes. The program is delivering new systems that give taxpayers a secure, easy, more convenient access to information and more efficient service.

This year, the Customer Communications project delivered a telephone system that receives, routes and answers more than 150 million taxpayer calls each year. On May 20, we launched the Internet Refund Fact of Filing (IRFoF), a new Internet feature. By June 20, we had received over 300,000 Internet hits from taxpayers. Early survey results show overall customer satisfaction for IRFoF exceeds 80 percent. Clearly, the new systems are providing improved customer support and better, more efficient interactaction with taxpayers.

In the next several years, we will replace our aging Masterfile that stores and retrieves taxpayer information with the Customer Account Data Engine. Transactions that take more than a week to process today will require less than a day to post in the future. Taxpayers will have quicker access to their personal information, and we will send refunds more quickly.

Our modernized infrastructure is the backbone of the BSM program. The infrastructure program will provide standardized operations, build and deliver a single security and enterprise systems management framework, and help us deploy modernized business systems. The modernized technology infrastructure and security has infrastructure technology components and infrastructure services such as:

- Security mechanisms and profiles
- Accumulation of audit data
- Transaction processing
- Messaging services

Progress Has Been Made in Developing the Infrastructure

Since your audit, we have deployed the Security and Technology Infrastructure Release (STIR). We completed all testing, including Security Certification and Accreditation, and received unconditional certification. On May 1, 2002, the Deputy Commissioner for Modernization & Chief Information Officer approved the STIR project to go live. We activated the STIR on May 22, 2002, with the implementation of IRFoF. Both have been working effectively.

The Project Team Has Encountered Delays in Completing Development

We are committed to improving our scheduling estimation. We are working with other modernization projects early in the life cycle process to understand their infrastructure needs and to ensure we coordinate activities with the plans and schedules of the other offices involved. We are developing realistic plans, cost estimates, and schedules based on more detailed estimating methodologies, and on lessons we learned during other project implementations. We are re-planning project schedules for e-Services/STIR releases based on this new approach.

The PRIME did not initially require the Internet Service Provider (ISP) solution to be Enterprise Architecture (EA) compliant, because we outsourced this solution. IRS management decided to require EA compliance to reduce future risks with other platforms, upgrades, and applications. This caused a one-month delay in the STIR design completion, which did not affect other fiscal year 2002 projects, IRFoF, or e-Services.

Your report indicated that risks that may impact the timely deployment of projects in 2002 still exist. However, you did not specify what those risks might be. If TIGTA gives us additional information, we will track those risks in the Issue Tracking System.

Increase Staffing Levels to Support Implementation of the Modernization Infrastructure

I agree that adequate staffing levels have been a problem for STIR. We are increasing staffing in BSMO to address critical needs. Increased staff in Infrastructure Shared Services (ISS) is a major component of the overall BSM staffing increase, as are increases in some of the management process (configuration management [CM], risk management, etc.) discussed in the TIGTA report.

Change Control Process Improvements Have Been Made

I disagree with the statement, "In the past, weaknesses in the process to control STIR project design changes have resulted in delays in approval of changes requested...." The fact that the STIR design is baselined is the reason we must make change requests. We agree processing the change requests from the security requirements took too long to process and document.

We have made significant progress implementing configuration management practices across the portfolio of modernization projects, including identifying and implementing those associated with change management. With assistance from MITRE, we assessed the PRIME configuration management program in January 2001. We implemented several key improvements in June 2001:

- Assigning unique identifiers for configuration items
- Establishing baselines for deliverables and placing them under the control of data management and approval processes
- Placing the Enterprise Life Cycle Process Asset Library (PAL), our documented methodology, under configuration management control
- Identifying change request procedures and documenting them on PAL

Projects Are Tracked and Monitored

I agree STIR is a highly complex project with many cross-project dependencies, but complexity alone does not constitute risk. We are actively managing cross-project dependencies in many management forums. We identify these in both projects' schedules as a cross-project dependency (CPD). When a CPD is in jeopardy, it raises an alert in the schedule. We deal with this problem at weekly Alerts Meetings. Under our management policy, we do not identify CPDs in the Item Tracking System database as risks. In addition, we discuss these issues at the weekly Integration, Test and Deployment meeting. We are taking a much more disciplined, program-wide approach to management of risks/issues and change requests by using the BSM-wide systems to document and track these issues and ensuring impact assessment and prioritization is adequately and continually monitored.

Our stakeholders are more actively involved throughout the life cycle. We have formed an Infrastructure Advisory Group that meets bi-weekly and includes representatives from Enterprise Operations and Martinsburg Computing Center/ Tennessee Computing Center. We are coordinating key issues, including disaster recovery, infrastructure planning, systems management, and telecommunications modernization to ensure all parties agree with the decisions and support the design, development, and implementation actions throughout the life cycle.

If you have any questions, please call me at (202) 622-6800 or Fred Forman at (202) 622-3378.