COMMISSIONER

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

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MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: Charles O. Rossotti
Commissioner of Internal Revenue

SUBJECT: Draft Audit Report –Significant Risks Need to be Addressed to Ensure Adequate Oversight of the Systems Modernization Effort (Audit No. 1999201104)

Thank you for the opportunity to respond to the above referenced draft audit report. The Business Systems Modernization (BSM) program is the next step in modernizing America's Tax Agency to bring the benefits of process reengineering and the power of technology to better deliver the IRS Mission. It is a massive effort and is not one without risks. However, with the discipline of IRS management, a proven systems development methodology, strong internal oversight and the expertise of our consultants the program will be successful.

You identified four major categories comprised of 14 recommendations in the draft audit report. The issues raised in your report are so fundamental to the success of the program that the BSM organization has already captured them in the Program Risk Mitigation Plan. The progress of this plan is monitored through the BSM integrated master schedule. Each of your recommendations is individually addressed in the attachment.

Since your audit, progress in building the management framework has been made. Most significantly, the Business Systems Modernization Office officially stood-up on June 30, 2000 with an approved charter identifying functions, roles and responsibilities.

If you have any questions regarding this matter, you may contact Tommy DeWeese, Deputy Director, Business Systems Modernization at (202) 283-7863.

Attachment

cc: Chief Communications and Liaison

Business Systems Modernization Management Response (June 2000)

Significant Risks Needed to Be Addressed to Ensure
Adequate Oversight of the Systems Modernization Effort (Audit No. 199920104)

I. Ensure a Stable Program Management Office

Recommendation 1: Stabilize the PMO responsible for oversight of systems modernization.

a. Approve an organizational structure for the PMO.
b. Create mission statements and charters for each major group in the approved organizational structure.
c. Define roles and responsibilities for each group within the approved organizational structure and how they will interact with other organizations involved in the systems modernization.

Corrective Action:

The IRS has:

- Developed an organizational structure of the business systems acquisitions organization, which was reviewed by the PRIME contractor and MITRE Corporation
- Created mission statements for each of the functions within the Business Systems Modernization Office (BSMO) and included them in the charter
- Defined roles and responsibilities for each group within the approved organizational structure for the business systems acquisitions organization and included them in the BSMO charter
- Requested the PRIME contractor and MITRE Corporation to assist in the development and review of the mission statements and charter

Implementation Date: June 30, 2000 (Completed)

Responsible Official: Business Systems Modernization Executive

Business Systems Modernization Management Response (June 2000)

Significant Risks Needed to Be Addressed to Ensure Adequate Oversight of the Systems Modernization Effort (Audit No. 199920104)

Recommendation 2: Provide for an independent quality assurance function within the approved BSMO organizational structure. The quality assurance function could be located administratively within the BSMO but should report directly to the Chief Information Officer/Business Systems Modernization Executive.

Corrective Action:

The BSMO will:

- Incorporate an independent quality assurance (QA) function within the approved BSMO organizational structure.
- Develop a QA function to evaluate the PRIME on the quality of products delivered.
- Develop a QA function to evaluate the IRS and the PRIME on the adherence to Enterprise Life Cycle (ELC) processes.
- Establish an independent review of the QA function to validate its independence.

Implementation Date:

The BSMO will:

▪ Include a QA function in the Business Systems Modernization organization.	June 2000 (Completed)
▪ Include QA function roles and responsibilities in the BSMO Charter.	June 2000 (Completed)
▪ Instruct the QA function to report directly to the BSMO Executive Office.	September 2000
▪ Establish an independent review process.	September 2000

Responsible Official: Business Systems Modernization Executive

Business Systems Modernization Management Response (June 2000)

Significant Risks Needed to Be Addressed to Ensure Adequate Oversight of the Systems Modernization Effort (Audit No. 199920104)

Recommendation 3: Finalize and fully implement Quality assurance policies and procedures throughout the organization.

Corrective Action:

The BSMO will:

- Perform a gap analysis of policy, process, and procedures established for the BSMO.
- Finalize/Revise QA policies and procedures.
- Implement QA in accordance with policy and procedures and Work Breakdown Structure (WBS).

Implementation Date:

The BSMO will:

▪ Perform a Gap Analysis of Policy, Process and Procedures established for the BSMO Organization.	July 2000
▪ Finalize/Revise QA Policies and Procedures.	July 2000
▪ Implement the QA function in accordance with policy and procedures and WBS.	September 2000

Responsible Official: Business Systems Modernization Executive

II. Determine Staffing Levels for the Program Management Office

Recommendation 4: Develop a staffing plan for the PMO that includes:

a. The roles and responsibilities needed with in each of the BSMO divisions.
b. The key skills needed to accomplish the PMO roles and responsibilities.
c. The number of staff with key skills needed to accomplish the PMO roles and responsibilities.
d. A plan for attaining and/or retaining needed PMO staff.

Corrective Action:

The BSMO has:

- Developed an organizational structure for the BSM Acquisition Organization
- Identified the roles and responsibilities of each BSMO divisions in the Business Systems Modernization Charter
- Identified staff (within the legislative mandate) and key skills needed to accomplish PMO roles and responsibilities

The BSM will:

- Develop a plan for attaining and retaining needed staff.
  (See Recommendation 7 and Corrective Action.)

Implementation Date: June 2000 (Completed)

Responsible Official: Business Systems Modernization Executive

Business Systems Modernization Management Response (June 2000)

Significant Risks Needed to Be Addressed to Ensure Adequate Oversight of the Systems Modernization Effort (Audit No. 199920104)

Recommendation 5: Identify any gaps in skills of the current BSMO staff by performing a skills analysis using the key skills identified in the staffing plan.

Corrective Action:
The BSMO has conducted a Skills Assessment Survey of its employees and adjusted the training plan to ensure key skills are available to the BSMO.

Implementation Date: June 2000 (Completed)

Responsible Official: Business Systems Modernization Executive

Recommendation 6: Develop a training plan that addresses any skill deficiencies identified in the skills analysis.

Corrective Action:
The BSMO has developed training and staffing plans that addresses gaps identified in the skills analysis.

Implementation Date: June 2000 (Completed)

Responsible Official: Business Systems Modernization Executive

Recommendation 7: Develop a backup plan for key personnel that identifies:

a. Key leadership and technical skills that are in short supply within the PMO based on the skills analysis.
b. Methods for ensuring that these skills are always present when needed in the PMO.

Corrective Action:

The BSMO will develop a retention/succession plan to retain key skills for BSM program.

Implementation Date: September 2000 (Completed)

Responsible Official: Business Systems Modernization Executive

Recommendation 8: Develop policies and procedures to regularly update the staffing plan, skill analysis, training plan, and backup plan for key personnel.

Corrective Action:
The BSMO will develop policies and procedures to regularly update the staffing plan, training plan, and succession plan.

Implementation Date: September 2000 (Completed)

Responsible Official: Business Systems Modernization Executive

III. Establish an Adequate Performance Monitoring Framework

Recommendation 9: Ensure that the approved BSMO includes a single office responsible for developing policies and procedures to create a formal performance monitoring framework.

The framework should define:
a. Performance monitoring roles and responsibilities.
b. Project data requirements and frequency.

Corrective Action:

The BSMO will:
- Develop a concept of operations for program control (PC).
- Develop PC process description.
- Develop PC procedures.
- Define PRIME data reporting requirements and frequency.
- Begin workshops with BSMO staff.
- Develop a training plan.
- Conduct training.
- Implement basic PC operations.
- Implement advanced PC operations.

Business Systems Modernization Management Response (June 2000)

Significant Risks Needed to Be Addressed to Ensure Adequate Oversight of the Systems Modernization Effort (Audit No. 199920104)

Implementation Date:

The BSMO will:

▪ Develop a concept of operations for PC.	March 2000 (Completed)
▪ Develop PC process description.	June 2000 (Completed)
▪ Develop PC procedures.	June 2000 (Completed)
▪ Define PRIME data reporting requirements ▪ and frequency.	June 2000 (Completed)
▪ Begin workshops with BSMO staff.	May 2000 (Completed)
▪ Develop a training plan.	May 2000 (Completed)
▪ Conduct training.	August 2000
▪ Implement basic PC operations.	September 2000
▪ Implement advanced PC operations.	October 2000

Responsible Official: Business Systems Modernization Executive

Recommendation 10: Ensure MITRE timely completes the development and installation of an automated method for collecting and distributing project performance data.

Corrective Action:

The BSMO will:

- Incorporate PC team activities and responsible staff including MITRE into the BSMO Implementation Plan.
- Determine requirements for repository release 1.
- Select tools.
- Develop a logical design.
- Develop a physical design.
- Create a data base and control tables.
- Establish a test environment at MITRE.
- Establish an operating production environment at IRS.
- Implement repository release 2.

Business Systems Modernization Management Response (June 2000)

Significant Risks Needed to Be Addressed to Ensure Adequate Oversight of the Systems Modernization Effort (Audit No. 199920104)

Implementation Date:

The BSMO will:

▪ Incorporate PC team activities and responsible staff, including MITRE into BSMO	
▪ Implementation Plan.	March 2000 Completed)
▪ Track weekly progress against plan.	Ongoing
▪ Determine requirements for repository release 1.	June 2000 (Completed)
▪ Select tools.	April 2000 (Completed)
▪ Develop a logical design.	May 2000 (Completed)
▪ Develop a physical design.	June 2000 (Completed)
▪ Create a data base and control tables.	June 2000 (Completed)
▪ Establish a test environment at MITRE.	May 2000 (Completed)
▪ Establish an operating production environment at IRS.	September 2000
▪ Implement a repository release 2.	October 2000

Responsible Official: Business Systems Modernization Executive

Recommendation 11: Assess the PRIME contractor's processes to ensure that performance monitoring data being provided to the IRS are complete and accurate.

Corrective Action:

The BSMO will:

- Establish program controls that include:
  - WBS levels
  - Cost accounts
  - Earned value techniques
  - Life-cycle project planning
  - Baseline
- Perform independent checks and analysis on data.
- Define progress reviews.
- Support progress reviews.
- Review PRIME Program Management Control System (PMCS) process.

Business Systems Modernization Management Response (June 2000)

Significant Risks Needed to Be Addressed to Ensure Adequate Oversight of the Systems Modernization Effort (Audit No. 199920104)

- Develop a "surveillance" plan.
- Begin a "surveillance" of PRIME PMCS.

Implementation Date:

The BSMO will:

▪ Establish program controls that includes:	June 2000 (Completed)
– WBS levels	
– Cost accounts	
– Earned value techniques	
– Life-cycle project planning	
– Baseline	
▪ Perform independent checks and analysis on data.	June 2000 (Completed)
▪ Define progress reviews.	June 2000 (Completed)
▪ Support progress reviews.	June 2000 (Completed)
▪ Review PRIME Program Management Control System (PMCS) process.	August 2000
▪ Develop a "surveillance" plan.	December 2000
▪ Begin a "surveillance" of PRIME PMCS.	March 2001

Responsible Official: Business Systems Modernization Executive

IV. Create a Risk Management Process

Recommendation 12: Implement and institutionalize BSMO and project level risk management policies and procedures.

Corrective Action:

The BSMO will develop and deploy BSMO and project level risk management policy and procedures, which includes these steps:

- Develop project level procedure.
- Document program level procedure.
- Implement program and project level procedures.

Implementation Date:
The BSMO will:

▪ Develop project level procedure.	Completed
▪ Document program level procedure.	June 2000 (Completed)
▪ Implement program and project level procedures.	October 2000

Responsible Official: Business Systems Modernization Executive

Recommendation 13: Enhance risk management capabilities, including providing training to personnel at the PMO and project levels, prior to initiating any high-risk projects.

Corrective Action:

The BSMO will develop risk management capabilities by providing training to personnel at the BSMO and project levels as necessary. We will:

- Develop program level training material.
- Deliver program level training.
- Develop project level training material.
- Deliver project level training.

Business Systems Modernization Management Response (June 2000)

Significant Risks Needed to Be Addressed to Ensure Adequate Oversight of the Systems Modernization Effort (Audit No. 199920104)

Implementation Date:

The BSMO will:

▪ Develop program level training material	July 2000
▪ Deliver program level training	September 2000
▪ Develop project level training material	June 2000 (Completed)
▪ Deliver project level training	September 2000

Responsible Official: Business Systems Modernization Executive

Recommendation 14: Ensure the final BSMO organization includes a centralized office responsible for risk management.

Corrective Action:

The IRS created a centralized office responsible for risk management in the BSMO.

- **Implementation Date:** June 2000 (Completed)

Responsible Official: Business Systems Modernization Executive