



Highlights of [GAO-04-438T](#), testimony before the Subcommittee on Oversight, House Committee on Ways and Means

Why GAO Did This Study

The Internal Revenue Service (IRS) has been grappling with modernizing its computer systems for many years. IRS's current program, commonly referred to as Business Systems Modernization (BSM), began in fiscal year 1999; about \$1.4 billion has been reported spent on it to date. While progress has been made, the program continues to face significant challenges and risks.

In recognition of these risks, IRS and a contractor recently completed several comprehensive assessments of BSM, including one of its Customer Account Data Engine (CADE) project, which is to modernize the agency's outdated data management system.

At the request of the Subcommittee on Oversight, House Committee on Ways and Means, GAO's testimony will summarize (1) GAO's prior findings and recommendations, along with those of the recent assessments; and (2) actions IRS has taken or plans to take to address these issues.

www.gao.gov/cgi-bin/getrpt?GAO-04-438T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robert F. Dacey at (202) 512-3317 or daceyrf@gao.gov.

BUSINESS SYSTEMS MODERNIZATION

Internal Revenue Service Needs to Further Strengthen Program Management

What GAO Found

Prior GAO reviews have disclosed numerous modernization management control deficiencies that have contributed to reported cost overruns and schedule delays. The table below illustrates the degree to which costs and completion dates for ongoing projects have grown from their initial estimates. Reasons for such delays include inadequate definition of systems requirements, increases in project scope, and underestimation of project complexity. These impair IRS's ability to make future systems investment decisions and delay delivery of benefits to taxpayers. GAO has made a series of recommendations focusing on stronger program management—and limiting modernization activities until such management practices were in place.

IRS BSM Project Cost/Schedule Variance Summary^a

Project	Cost variance (in thousands)	Revised estimated cost (in thousands)	Schedule variance (in months)	Revised estimated completion date
Modernized e-File Rel. 1	+\$17,057	\$46,303	+4.5	3/31/04 (initial operation ^b)
e-Services	+86,236	130,281	+18	4/30/05 (full deployment ^c)
Customer Account Data Engine Rel. 1	+36,760	97,905	+30 ^d	6/30/05 ^d (full deployment)
Custodial Accounting Project Rel. 1	+72,058	119,219	TBD ^d	TBD ^d (full deployment)
Integrated Financial System Rel. 1	+53,916	153,786	TBD ^d	TBD ^d (full deployment)
Customer Account Management Rel. 1	TBD ^e	TBD ^e	TBD ^e	TBD ^e

Source: GAO analysis of IRS data.

^a Projects ongoing as of 9/30/03.

^b Initial operation refers to the point at which a project is authorized to begin enterprisewide deployment.

^c Full deployment refers to the point at which enterprisewide deployment has been completed and a project is transitioned to operations and support.

^d Project schedules for the Customer Account Data Engine, the Custodial Accounting Project, and the Integrated Financial System are currently under review.

^e To be determined. Work on the Customer Account Management project was suspended following the completion of preliminary design activities. No further work is planned until at least fiscal year 2005.

IRS has made important progress in implementing management controls, establishing infrastructure, delivering certain business applications, and balancing the pace of the program with the agency's ability to manage it. Nevertheless, IRS needs to further strengthen BSM program management, including fully implementing modernization management controls in such areas as cost and schedule estimating.

The recent BSM assessments identified many weaknesses, consistent with prior GAO findings, that contributed to the cost overruns and schedule delays, and offered recommendations to address them. IRS has responded by identifying 46 discrete issues to be resolved; according to the agency, 27 of these have been completed. Commitment of appropriate resources, top management attention, and continuing oversight by Congress and others are critical to the success of BSM.