



Highlights of [GAO-07-247](#), a report to congressional committees

Why GAO Did This Study

The Internal Revenue Service's (IRS) Business Systems Modernization (BSM) program is a multibillion-dollar, high-risk, highly complex effort that involves the development and delivery of a number of modernized information systems that are intended to replace the agency's aging business and tax processing systems. As required by law, IRS submitted its fiscal year 2007 expenditure plan, in September 2006, to congressional appropriations committees, requesting \$167.3 million from the BSM account.

GAO's objectives in reviewing the plan were to (1) determine whether it satisfied the conditions specified in the law, (2) determine IRS's progress in implementing prior GAO recommendations, and (3) provide any other observations about the plan and IRS's BSM program. To address these objectives, GAO analyzed the plan, reviewed related documentation, and interviewed IRS officials.

What GAO Recommends

GAO recommends that the Commissioner of Internal Revenue direct the Chief Information Officer to ensure that future expenditure plans include a quantitative measure of progress in meeting project scope expectations. In providing comments on a draft of this report, the Commissioner agreed with the recommendation and outlined the actions that IRS is planning to take to address it.

www.gao.gov/cgi-bin/getrpt?GAO-07-247.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David A. Powner at (202) 512-9286 or at pownerd@gao.gov.

BUSINESS SYSTEMS MODERNIZATION

Internal Revenue Service's Fiscal Year 2007 Expenditure Plan

What GAO Found

IRS's fiscal year 2007 expenditure plan satisfies the conditions specified in the law. These conditions include meeting the Office of Management and Budget's capital planning and investment control review requirements and complying with federal systems acquisition requirements and management practices.

IRS has made significant progress in implementing GAO's recommendations and improving its modernization management controls and capabilities. However, controls and capabilities related to requirements development and management and post-implementation reviews have not yet been fully implemented. In addition, more work remains to be done to fully develop a long-term vision and strategy for completing the BSM program.

GAO has the following four observations on the expenditure plan and the BSM program:

- During 2006, IRS made additional progress in implementing BSM projects and in meeting cost and schedule commitments, but two key projects experienced significant cost overruns. IRS deployed additional releases of the following modernized systems: the Customer Account Data Engine (the new taxpayer information database), Modernized e-File (a new electronic filing system), and Filing and Payment Compliance (a tax collection case analysis support system). While each of the five associated project segments delivered during 2006 were completed within the targeted 10 percent schedule variance threshold, two project segments associated with Modernized e-File and the Customer Account Data Engine experienced cost increases of 36 percent and 15 percent, respectively.
- IRS could improve its reporting of progress in meeting project scope expectations. Although IRS's expenditure plan provides descriptive information on changes in project releases' scope (i.e., functionality), it does not provide a quantitative measure of whether project releases delivered planned functionality. Such a measure would be helpful in providing the Congress with more complete information on IRS's performance in implementing BSM project releases.
- Future BSM project releases continue to face significant risks and issues. The agency, however, recognizes the potential impact of these project risks and issues on its ability to deliver planned functionality within cost and schedule estimates, and has developed mitigation strategies to address them.
- IRS has made further progress in addressing high-priority BSM program improvement initiatives. Its high-priority improvement initiatives continue to be an effective means of assessing, prioritizing, and incrementally addressing BSM issues and challenges. IRS is currently focusing on 13 high-priority initiatives, which it plans to complete by the end of March 2007.