

Internal Revenue Service  
Office of the Commissioner

September 18, 1995

95  
150/71  
1571.00

TO: Deputy Secretary

Larry:

Per our conversation on Friday,  
attached is the action plan in  
response to the GAO review of Tax  
Systems Modernization.

Dave

Attachment

To Dave -

This is outtully process  
centered. Can I see something tied  
to outcome measures? It is very  
likely that we do not have the  
staff or FBI done. How

David A. Mader  
Chief Management and Administration

can we proceed without these items?  
[Signature]



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

September 15, 1995

MEMORANDUM FOR GEORGE MUNOZ  
ASSISTANT SECRETARY (MANAGEMENT)/CFO

FROM:

Judy Van Alfen  
Associate Commissioner Designee

A handwritten signature in cursive script that reads "Judy Van Alfen".

SUBJECT:

Internal Revenue Service (IRS) Action Plan

Attached is the action plan that the IRS has developed to implement the results of the General Accounting Office's (GAO) review of Tax Systems Modernization (TSM). We would appreciate it if your office would coordinate the review of this document within the Department and with the Office of Management and Budget.

The action plan addresses all of the recommendations and issues contained in GAO's report. The action plan also incorporates the findings from our own "Best Practices" initiative that reinforces many of GAO's recommendations. We have shared the action plan with members of your staff and have incorporated their comments.

The action plan reflects a very ambitious set of activities. We have already implemented several critical recommendations and we are committed to taking the necessary next steps to further strengthen our management of TSM. IRS will make every effort to implement most of these changes within the timeframes recommended by Congress and GAO. However, budget reductions in Fiscal Year 1996 and operational priorities, such as implementing tax law changes for the upcoming filing season, may impact our plans.

As you are aware, GAO has already initiated a review of our progress in implementing their recommendations. We have shared an advanced copy of the plan with their office and we will be cooperating with them fully during the course of their review.

In order to meet the reporting requirements of the House and Senate Appropriations Subcommittees and those required under 31 United States Code 720, our goal is to have the plan ready to submit to Congress well before the end of September. Due to the time constraint, we would appreciate a prompt review of our plan. We look forward to receiving your comments and discussing the action plan further. Please call me on 622-6630 if I can be of any further assistance.

Attachment

IRS ACTION PLAN  
GAO'S REVIEW OF TAX SYSTEMS MODERNIZATION:  
MANAGEMENT AND TECHNICAL WEAKNESSES MUST BE CORRECTED  
IF MODERNIZATION IS TO SUCCEED

Internal Revenue Service  
Office of the Associate Commissioner Designee  
September 14, 1995 DRAFT

## TABLE OF CONTENTS

RECOMMENDATION	RESPONSIBLE OFFICE	PAGE
EXECUTIVE SUMMARY: STRENGTHENING MODERNIZATION MANAGEMENT		
		1
ACCOUNTABILITY AND MANAGEMENT		
GAO-1: Management and control	Associate Commissioner Designee	4
GAO-2: Planning documents	Associate Commissioner Designee	6
GAO-3: Linking reengineering efforts	Chief Management and Administration	
	Associate Commissioner Designee	9
GAO-4: Enforcing standards	Chief Information Officer	11
	Associate Commissioner Designee	
ELECTRONIC FILING		
GAO-5: Electronic filing business strategy	Chief Taxpayer Services	13
	Associate Commissioner Designee	
STRATEGIC INFORMATION MANAGEMENT		
GAO-6: Process for evaluating investments	Associate Commissioner Designee	15
	Chief Management and Administration	
GAO-7: Review of investments	Associate Commissioner Designee	18
GAO-8: Costs and Benefits	Chief Management and Administration	19
	Associate Commissioner Designee	
GAO-9: Skills and Training	Chief Management and Administration	20
	Chief Information Officer	
	Associate Commissioner Designee	
SOFTWARE DEVELOPMENT		
GAO-10: Level 2 for contractors	Chief Information Officer	24
GAO-11: Implement procedures	Chief Information Officer	26
GAO-12: Software development metrics	Chief Information Officer	29

TABLE OF CONTENTS CONTINUED

RECOMMENDATION	RESPONSIBLE OFFICE	PAGE
TECHNICAL INFRASTRUCTURE		
GAO-13: Integrated System Architecture	Chief Information Officer	31
GAO-14: Configuration management	Chief Information Officer	33
GAO-15: Security, disaster recovery, contingency plans	Chief Information Officer	36
GAO-16: Test and Evaluation Master Plan	Chief Information Officer	38
GAO-17: Integration testing and control facility	Chief Information Officer	40
GAO-18: Integration plan	Chief Information Officer	42
BEST PRACTICES		
BP-1: Investment Review Board	Associate Commissioner Designee Chief Management and Administration	45
BP-2: IRM standards	Associate Commissioners Designee All Chief Officers	46
BP-3: Investment criteria	Associate Commissioner Designee Chief Management and Administration	48
BP-4: Developing measures	Chief Management and Administration	49
BP-5: Communication strategy	Associate Commissioner Designee Chief Management and Administration	51
REPORTING REQUIREMENTS		
Report on IRS Action Plan	Associate Commissioner Designee All Chief Officers	53

**EXECUTIVE SUMMARY**  
**STRENGTHENING MODERNIZATION MANAGEMENT**

---

To present a clearer picture to Congress of the status of IRS' modernization efforts, this Spring IRS met with the Comptroller General and agreed to an approach for reaching a common understanding of the critical issues facing Tax Systems Modernization (TSM). In response, GAO assembled an independent evaluation team to assess the overall status of TSM. IRS cooperated fully with this review which was conducted this Spring and Summer.

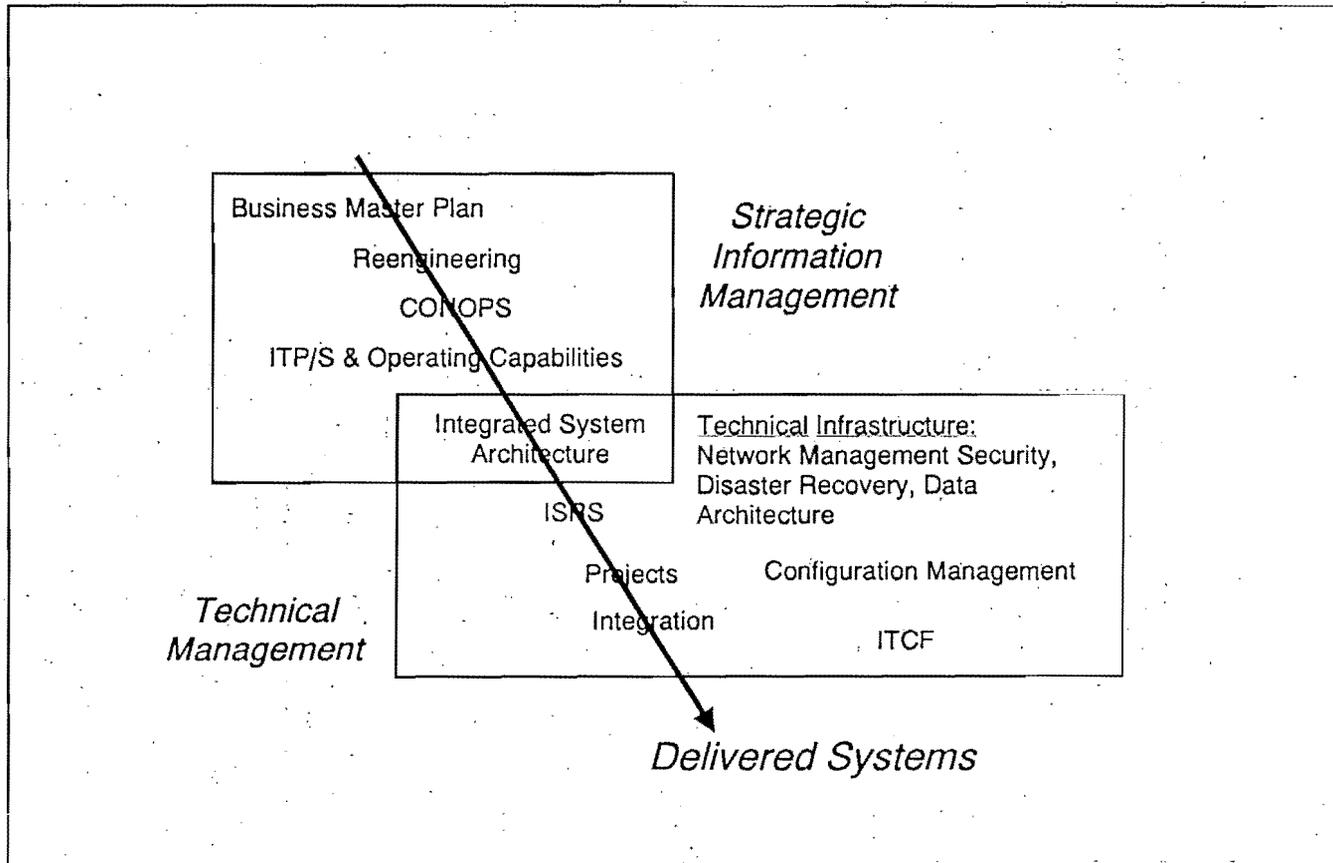
Over the past several years, the IRS has made substantial progress toward modernizing tax administration; the benefits to both taxpayers and the government are already being realized. IRS also has responded aggressively to the program management and implementation issues raised previously by the Administration, GAO, Congress and other external experts including the National Research Council.

GAO believes that it is essential that IRS continues to strengthen its management of TSM. IRS agrees with GAO's findings and recommendations for improvements in such areas as accountability and responsibility, electronic filing, strategic information management, software development, and technical infrastructure. IRS has taken immediate steps to implement several critical recommendations involving organizational changes, TSM investment priorities, and electronic filing.

The following action plan documents the steps that IRS is taking to implement GAO's recommendations. The action plan also incorporates the findings and recommendations from IRS' "Best Practices" initiative. With input from executives and managers, this June IRS completed a self assessment of how IRS' practices compare to GAO's Best Practices for Strategic Information Management. IRS was one of the first federal agencies to complete such a self assessment, relying on an extensive analysis by both field and headquarters staff. The self assessment confirms many of GAO's findings and will help strengthen IRS' response to their concerns. The Best Practices recommendations are highlighted in the final section of the action plan and cross-referenced throughout the text.

Although the GAO and Best Practices recommendations are addressed on an individual basis in this report, they are not isolated actions. Instead, they are part of a cohesive framework for improving IRS' overall management of Tax Systems Modernization as illustrated on the following page.

STRENGTHENING MODERNIZATION MANAGEMENT CONTINUED



Strategic Information Management provides an indispensable lens through which to view the most vital tactical management decisions. From high level plans such as the Business Master Plan, to the reality of delivered systems that provide improved products and services to taxpayers, there is a natural hierarchy that provides an important, top-down consistency check. The System Architecture is the linkage between business analysis

## STRENGTHENING MODERNIZATION MANAGEMENT CONTINUED

---

and design with technical design and development. It also provides the linkage among costs (driven by projects), benefits (driven by operating capabilities), and timing (driven by the transition plan).

Developing a tax system that takes full advantage of technology and business system innovation is not an easy task. It will take a considerable amount of time and energy to improve our processes and organization to the point where all of these issues are thoroughly addressed. IRS' progress toward implementing the necessary improvements recommended by GAO will be monitored closely by the Associate Commissioner Designee. The IRS will make every effort to implement these changes within the timeframes recommended by Congress and the GAO. However, budget reductions in Fiscal Year 1996 and operational priorities, such as implementing tax law changes for the upcoming filing season, may impact these plans.

## ACCOUNTABILITY AND RESPONSIBILITY

---

### RECOMMENDATION -- MANAGEMENT AND CONTROL (GAO-1):

The IRS Commissioner should give the Associate Commissioner management and control responsibility for all systems development activities, including those of IRS' research and development division.

GAO Report pg. 50.

### RESPONSIBLE OFFICE:

Associate Commissioner Designee

### CURRENT STATUS:

Effective May 1995, the Modernization Executive position was reestablished as the Associate Commissioner to provide the leadership and organizational structure needed to deliver Tax Systems Modernization. The Associate Commissioner will report directly to the Commissioner and the Deputy Commissioner. The Associate Commissioner will, among other things, be responsible for all aspects of modernization program planning and management, budget formulation and execution and information systems development and management. This Summer, IRS reorganized its National Office structure based on feedback from GAO's review and from IRS' Best Practices self-assessment to further clarify responsibilities and to strengthen the management of its modernization program.

IRS is currently considering GAO's most recent recommendation that the Associate Commissioner's systems development responsibilities also include those of IRS' research and development division. Key issues that are being addressed include:

- establishing a decision framework for making investment decisions on technology research projects;
- the role of the Associate Commissioner's office in the process of managing and controlling research and development projects; and

- the relationship between Information Systems, Compliance Research, the Associate Commissioner, and the Information Technology Research Lab (Tax Systems Modernization Institute) in reviewing and managing projects.

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
9/13/95	Memorandum issued by the Associate Commissioner Designee initiating review in conjunction with Chief Compliance Officer.
10/95	Complete analysis of the above issues and formulate a proposal for responding to GAO's recommendation.

## ACCOUNTABILITY AND RESPONSIBILITY

---

### OTHER ISSUES -- PLANNING DOCUMENTS (GAO-2):

GAO recommends further that the Associate Commissioner establish organizationwide system modernization accountability which would entail ensuring strategic planning documents are complete and consistent.

- various planning documents are not linked to each other or to TSM budget requests; of 10 Concepts of Operation (CONOPS), 4 incomplete; of 27 Business Master Plan (BMP) actions, 15 could not be tracked to the Integrated Transition Plan and Schedule (ITP/S); performance measures have not been changed to reflect recent electronic filing trends.

GAO Report pg. 26, 50.

IRS' Best Practices initiative (BP-4) further recommends that IRS should review and eliminate lower level measures that do not support the corporate objectives and develop measures to accurately monitor corporate objectives.

### RESPONSIBLE OFFICE:

Associate Commissioner Designee/Chief Management and Administration

### CURRENT STATUS:

The baseline planning and control documents for modernization are the Business Master Plan, the Integrated Transition Plan and Schedule, and the Concepts of Operation. The CONOPS, which describes IRS' business operations when the Business Vision is fully implemented, drive the technical requirements. The ITP/S reflects the business, technical, and support requirements in terms of plans and schedules for implementing increments of future operational capabilities over time. The ITP/S is also the primary tool used by the Associate Commissioner Designee to hold the Chief Officers accountable for delivering the products and services necessary to implement new modernization capabilities. The BMP, in turn, details incremental operational capabilities to be implemented in the next three years, in relation to ongoing operations and in the context

of projected Servicewide and TSM funding.

GAO's comments regarding the consistency of these strategic planning documents were based on an analysis of last year's BMP and ITP/S. Since then, IRS has issued a March 1995 version of the ITP/S. The Workload Distribution Management Concept of Operations was completed in May 1995. The annual update to the BMP is scheduled for later this year. Modernization actions reflected in the BMP will be cross-referenced to the ITP/S to ensure consistency between the two documents. In addition, an index will be added to the ITP/S to cross-reference operational capabilities back to the BMP.

The most recent versions of our planning documents reflect a much greater degree of consistency. With the support of the Integrated Support Contract and the Illinois Institute of Technology Research Institute, IRS will continue to work on both simplifying and ensuring the consistency of our key planning documents which form the baseline set of plans and schedules against which performance is monitored and the success of TSM may be determined.

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
Completed	Updated and issued ITP/S.
Completed	Issued Workload Distribution CONOPS.
Completed	Decision made not to issue Workflow Requirements and Matrix CONOPS.
Completed	National Office functions received draft National and Regional CONOPS for review.
9/95	Chiefs and Regional Commissioners receive draft National and Regional CONOPS for review.
10/95	Complete National and Regional CONOPS.
10/95	Add cross-reference index to ITP/S.

**KEY MILESTONES CONTINUED:**

Fall 1995 Issue annual update to BMP.

Spring 1996 Issue Area Distribution Centers (ADC) CONOPS.

## ACCOUNTABILITY AND RESPONSIBILITY

---

### OTHER ISSUES -- LINKING REENGINEERING EFFORTS (GAO-3):

GAO recommends further that the Associate Commissioner establish organizationwide system modernization accountability which would entail developing a comprehensive plan and schedule for linking reengineering efforts to systems development projects.

GAO Report pg. 29, 50.

IRS' Best Practices (BP-2) also identified the need to develop and issue written guidance describing roles, relationships and governance structure critical to strategic information management and provide for integration of Total Quality Organization and Core Business Systems efforts.

### RESPONSIBLE OFFICE:

Associate Commissioner Designee

### CURRENT STATUS:

Under a recent reorganization, the Associate Commissioner assumed the leadership role for IRS' reengineering and quality efforts which will facilitate a greater integration between reengineering and modernization. This change will help ensure that information technology properly leverages IRS' reengineering initiatives. The expanded role of the Associate Commissioner in this area is currently being refined to clarify the responsibilities of that office in overseeing reengineering activities and incorporating the results into IRS' modernization plans.

During the past year, the Associate Commissioner Designee and the Core Business Systems Directors initiated a priority setting (Request for Information Services) process for meeting business needs through information system investments for both legacy and modernization systems. This greater coordination is already enabling IRS to better link information systems investments to our reengineering efforts.

KEY MILESTONES:

Date

Action

Fall 95

The Office of the Associate Commissioner Designee will develop a comprehensive plan and schedule for linking reengineering efforts to systems development projects.

## ACCOUNTABILITY AND RESPONSIBILITY

---

### OTHER ISSUES -- ENFORCING STANDARDS (GAO-4):

GAO recommends further that the Associate Commissioner establish organizationwide system modernization accountability which would entail ensuring that defined systems development standards and architectures are enforced.

GAO Report pg. 50.

IRS' Best Practices initiative (BP-2) also emphasized that IRS' infrastructure must be built through the use of broad national standards. They recommended establishing a team comprised of representatives from operations and support activities to review and modify existing IRM standards to ensure that they address the business needs of the organization and establish additional standards as needed.

### RESPONSIBLE OFFICE:

Chief Information Officer/Associate Commissioner Designee

### CURRENT STATUS:

IRS will be conducting Configuration Management and Quality Management audits once the systems development standards are defined. The Open Systems Standards Profile document (draft 6/30/95) is currently under review. This document addresses standards requirement of ongoing and future TSM projects including the Document Processing System, Electronic Management System, Integrated Case Processing, Submission Tracking System, and the Tax Return Data Base. Audits will commence approximately six months after the new procedures (standards) are put in place. This will allow sufficient time for the new processes to become institutionalized.

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
10-12/95	<p>Under the overall leadership of the Chief Information Officer, IRS will:</p> <ul style="list-style-type: none"><li>- identify all standards that have been issued or are in process by 10/1/95</li><li>- determine which standards are outdated and should be deleted or updated by 11/30/95</li><li>- determine which standards are missing by 12/30/95.</li></ul>
6/1/96	<p>Complete in process standards, update outdated standards and create new ones for those missing (e.g. those to be covered in GAO#11)</p>
12/95-6/96	<p>The Chief Information Officer issues mandates and listings of all standards to be followed for:</p> <ul style="list-style-type: none"><li>- existing valid standards by 12/15/95</li><li>- updated and new standards by 6/15/96</li></ul>
5-11/96	<p>Begin conducting Configuration Management and Quality Management audits on a sample basis for:</p> <ul style="list-style-type: none"><li>- existing valid standards by 5/15/96</li><li>- updated and new standards by 11/15/96</li></ul>
Ongoing	<p>Throughout the time span shown above, other activities, such as design reviews, inspections and testing actions, will also be undertaken to ensure that processes/products are in compliance with valid standards that already exist.</p>

## ELECTRONIC FILING

### RECOMMENDATION -- ELECTRONIC FILING BUSINESS STRATEGY (GAO-5):

Refocus IRS' electronic filing business strategy to target, through aggressive marketing and education, those sectors of the taxpaying population that can file electronically most cost beneficially.

- IRS should consider all segments of the taxpaying population, including those who (1) are unwilling to pay for tax preparer and transmitter service, (2) owe IRS for balances due, and (3) file complex tax returns.
- Moreover, IRS is not taking advantage of opportunities to increase electronic filings afforded by personal computers.

GAO Report pg. 22,23.

#### RESPONSIBLE OFFICE:

Chief Taxpayer Services/Associate Commissioner Designee

#### CURRENT STATUS:

Comprehensive electronic filing strategies have been drafted and many initiatives are in the process of being implemented. Research is under way to provide district offices with profiles of taxpayers in their jurisdiction that are not filing electronically. IRS has contracted out to have a value chain analysis completed in marketing efforts. This includes an analysis of market plans and identifies potential marketing problems. As part of the contract, costing, recommendations and training will be provided to IRS. IRS has currently received two deliverables under the contract.

The TeleFile program will be expanded nationwide and, although not yet announced, the system will be paperless. This will make filing by touchtone telephone more appealing for eligible individuals and reduce processing costs for IRS. Through our advertisement in the Commerce Business Daily, we received 31 applicants to participate in our On-Line Services Program. These individuals will act as third party transmitters for individuals

who use their home computer to file. With the large response for participants, we anticipate a significant increase in home filers under this program.

The IRS has contracted with an outside vendor to develop a system to further reach the home market. The vendor completed a feasibility study and a business case was drafted by the IRS. The home market segment will open the electronic filing market to a more sophisticated taxpayer population filing returns from home at a minimal cost. Research and review is being completed to have this program available for the 1996 filing season.

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
Completed	Draft Electronic Filing Strategy Task Group Report.
Completed	Finalize Electronic Filing (ELF) Strategy. The final draft was completed 8/31/95.
1/96	Implement TeleFile nationwide enabling 3.5 million taxpayers to file using their touchtone telephone. This has received final approval and all procurement and acquisitions completed.
1/96	Begin implementing tactical components of ELF Strategy which will increase electronic filings to 20 million.
1/96	Offer Filing From Home through Electronic Return Originators and On-Line Service Providers.

## STRATEGIC INFORMATION MANAGEMENT

---

### RECOMMENDATION -- PROCESS FOR EVALUATING INVESTMENTS (GAO-6):

Implement a complete process for selecting, prioritizing, controlling and evaluating the progress and performance of all major information system investments, both new and ongoing, including an explicit decision criteria.

- Decision criteria not fully defined.
- Program Control Meetings (PCM) generally focusing on cost/schedule, not evaluating and prioritizing investments.

GAO Report pg. 27, 28, 30.

IRS' Best Practices initiative (BP-1) also recommended that IRS develop and consistently use investment criteria to review, prioritize and fund current and future information technology investments. Specifically, they recommended that IRS establish an Investment Review Board to include crossfunctional Servicewide representation and the Associate Commissioner to review, prioritize, select and monitor all current and future information technology initiatives.

### RESPONSIBLE OFFICE:

Associate Commissioner Designee/Chief Management and Administration

### CURRENT STATUS:

Investment Review Board: The Associate Commissioner Designee and the Chief Officers already meet on a periodic basis to make corporate-level decisions on plans, schedules and budget priorities for achieving the Business Vision. It is IRS' intention that these executives will assume the responsibilities envisioned under the Best Practices recommendation for an Investment Review Board. As explained further below, IRS recognizes that it also needs better tools and information to make effective decisions and it is taking the necessary steps to accomplish that objective, including developing a decision support system that will provide data and analysis for use by the Board during their deliberations.

Investment Evaluation Criteria: As a first step in institutionalizing a repeatable process for reviewing investments, IRS developed an initial set of investment criteria which is already being used as part of an ongoing process to evaluate spending plans for information systems. Furthermore, in collaboration with Boston University, the Office of Economic Analysis under the National Director for Budget is developing a high level decision support system to help IRS make investment decisions using trade-off analysis. The first phase of the decision support system will be available in December, 1995.

Post Implementation Review: The IRS also is developing a standardized and repeatable Post Implementation Review (PIR) process to measure the results and success of modernization implementation. The PIR process builds on the work performed in conducting the post implementation review of Corporate Files On-Line last year. Results of the Post Implementation Reviews will be used to revise and refine the development of TSM costs and benefits.

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
<u>Investment Review Board</u>	
Completed	The Associate Commissioner Designee and the Chief Officers will assume the responsibilities envisioned under the Best Practices' Investment Review Board recommendation.
<u>Investment Evaluation Criteria</u>	
Completed	Evaluation Investment Criteria have been developed based on maximization of return and minimization of risks. Each TSM project has been ranked accordingly.
Completed	Preliminary approval of Investment Criteria by Executive Committee.
9/95	Prioritization of TSM program using Investment Criteria.

**KEY MILESTONES CONTINUED:**

12/95 First Phase of Financial Investment Decision Support System to support IRS executives and staff in making informed decisions regarding TSM investments.

Business Case Guidelines (BC)/Post-Implementation Review (PIR) Process

Completed 7/95 Prototype the BC/PIR Process using the interim installations of the Totally Integrated Examination System (TIES) in Phoenix and the Integrated Collection System (ICS) in New Orleans.

Draft 8/95 Develop Business Case Guidelines and implement a PIR process  
Final 9/95 accepted as the standard by IRS and oversight agencies.

9/95 Issue initial report on the Post-Implementation Review conducted on the Service Center Recognition Image Processing System (SCRIPS) project.

11/95 Issue final PIR report on SCRIPS.

## STRATEGIC INFORMATION MANAGEMENT

---

### RECOMMENDATION -- REVIEW OF INVESTMENTS (GAO-7):

Using explicit decision criteria, IRS should review all planned and ongoing systems investments by June 30, 1995.

GAO Report pg. 31.

### RESPONSIBLE OFFICE:

Associate Commissioner Designee, Chief Management and Administration

### CURRENT STATUS/KEY MILESTONES:

COMPLETED.

In order to better position ourselves to invest funds wisely, the IRS has developed an initial set of investment evaluation criteria. These criteria are already being used as part of an ongoing process to evaluate spending plans for information systems. IRS recently completed a comprehensive review of the proposed Fiscal Year 1996 budget for TSM. This review enabled IRS to rescope its program objectives, set priorities and adjust funding levels for TSM.

As required by the Senate Appropriations Subcommittee on Treasury, Postal Service and General Government, not later than sixty days after enactment of the Fiscal Year 1996 Appropriations bill a separate report will be issued that identifies, evaluates, and prioritizes all systems investment planned for Fiscal Year 1996, using explicit decision criteria.

## STRATEGIC INFORMATION MANAGEMENT

---

### OTHER ISSUES -- COSTS AND BENEFITS (GAO-8):

Cost projections -- October 1992 TSM cost model did not reflect systems subsequently added to TSM, IRS' most recent Business Vision and changes in TSM systems development.

Benefits estimate -- Certain benefits based on investing/transferring resources to compliance to increase tax revenues, rather than FTE savings. GAO Report pg. 28, 29.

### RESPONSIBLE OFFICE:

Chief Management and Administration/Associate Commissioner Designee

### CURRENT STATUS/KEY MILESTONES:

COMPLETED.

IRS developed a comprehensive TSM Economic Analysis Report which was issued in September 1995. The report addresses the costs and benefits of TSM as originally envisioned, including revenue and other benefits such as the reduction in taxpayer burden. The most current cost/benefit data and the latest developments relating to IRS' Business Vision were used in developing the report. The results and capabilities provided by the report will allow IRS to identify and focus on competing priorities and integrate TSM into IRS' overall planning and budgeting process. The benefit estimates contained in the September 1995 report are much more extensive than the short-term study that was issued in January.

The independent cost analysis of TSM was conducted by the Tax Systems Modernization Institute, a Federally Funded Research and Development Center operated by the Illinois Institute of Technology Research Institute. In addition to the independent analysis, IRS provided a complete picture of the full TSM program as originally envisioned by producing an economic analysis in September 1995. The economic analysis includes both the costs and benefits of TSM and will provide a stronger foundation for development and evaluation of future budget requests -- as well as future changes in the scope of the TSM program.

## STRATEGIC INFORMATION MANAGEMENT

---

### OTHER ISSUES -- SKILLS AND TRAINING (GAO-9):

Although GAO did not make any specific recommendations in its report regarding skills and training, it did identify the need for IRS to continue working on upgrading skills and training, especially in the Information Systems area.

GAO Report pg. 30.

IRS' Best Practices initiative (BP-2) recommended that IRS needed to define the training/skill needs at each organizational level for both information systems and operations personnel; conduct a skills assessment against the needs defined; implement training program to bridge gap.

The House Appropriations Subcommittee on Treasury, Postal Service and General Government further requires that IRS address the methods it will use to ensure sufficient technical and management expertise and skills are available to develop and implement TSM, an area which the Subcommittee believes should be solved through contract rather than through direct hiring on the part of the IRS.

### RESPONSIBLE OFFICE:

Chief Management and Administration/Chief Information Officer/Associate Commissioner  
Designee

### CURRENT STATUS:

IRS recognizes that building a system as large and complex as TSM poses significant technical and management challenges. In recognition of these challenges, IRS has undertaken a two part strategy that capitalizes on both internal and external technical skills and expertise.

### External Expertise

The IRS was one of the first agencies to make serious use of consultants by bringing on

Dr. Joseph Juran to begin a total reexamination of its performance. IRS also worked closely with the MITRE Corporation in structuring its Business Vision that will be effected through TSM. Within the TSM project, IRS already relies heavily on outside experts in modernizing the tax system. About 75 percent of the proposed Fiscal Year 1996 TSM budget would have paid for contractor provided hardware, products and services, with only about 25 percent for in-house staffing. The IRS has used two major support contractors, the Illinois Institute of Technology Research Institute (for strategic planning, acquisition support, and independent verification and validation) and the Integration Support Contract (TRW, EDS and Price-Waterhouse for systems engineering and integration support) for some time to develop and manage the TSM effort. These contractors have significant experience in building integrated system such as TSM. Other key contractors involved in TSM include AT&T (for workstations, file servers, LANs and off-the-shelf hardware), Loral Federal Systems (for the Document Processing System) and Grumman (for the Service Center Recognition Image Processing System). Lastly, the IRS continues to rely on the advice of other independent experts such as the National Academy of Sciences and GAO. The concerns of the oversight bodies are treated very seriously by IRS, and we believe that significant steps have been taken over the past several years to improve the management of the modernization program.

#### Internal Expertise

IRS has also undertaken a number of initiatives to increase its internal expertise. IRS has hired additional staff (generally through external hiring authority) who bring with them more recent experience in systems development, systems engineering and integration, information engineering and other technical disciplines. IRS has added key additional staff, including the Systems Architects, and brought on board approximately 55 new hires as a result of a two day "job fair." Recently, IRS has begun a formal nationwide search to recruit a new Chief Information Officer with experience in delivering major technology programs.

In addition, IRS is also exploring other ways to increase technical skills, including seeding top-notch people, including contractors, on teams where they serve as mentors and coaches as well as doers. IRS has and will continue a partnership between IRS technical and program management staff and outside experts for knowledge and skills transfer and support.

Finally as recommended by GAO and as illustrated on the following pages, IRS is taking the

necessary steps to ensure that our personnel and training programs meet future needs, especially those relating to information systems. A Training Steering Committee has been established to consolidate all information systems training efforts currently underway with the goal of increasing the skill level of our employees. In addition, IRS is in the process of identifying job requirements for information systems professionals which will be used in developing training and education programs that are directly linked to mission needs and critical occupational performance goals. Training and development efforts are also focused on systems development and management processes.

In conjunction with Human Resources and Corporate Education, Information Systems is actively involved in the National Business and Employee Competencies (BEC) Reengineering effort, and has assigned an IS representative to the BEC Team. To date, key occupations have been identified to begin the skills assessment effort. These occupations are computer specialist, systems developer and program analyst. Additionally, critical "future" skills, knowledges and attributes have been identified by IS subject matter experts and categorized under human resources, business, technical, project management and security competencies. Paralleling this effort is the establishment of a core group, with representatives from Information Systems, Field Information Systems Offices, Human Resources and Labor Relations, to develop standard position descriptions.

**KEY MILESTONES FOR INFORMATION SYSTEMS SPECIALTY TRAINING POSITIONS:**

<u>Date</u>	<u>Action</u>
COMPLETED	Target for skills assessment the following occupations which will implement TSM: Computer Specialist; Applications/Software Developer; and Program Analyst.
COMPLETED	Define initial tasks and competencies within these occupations.
COMPLETED	Identify employees currently performing these tasks.
COMPLETED	Identify/design/select common skills assessment instrument and terminology to conduct assessment.

KEY MILESTONES CONTINUED:

COMPLETED	Interview managers, employees and subject matter experts who are knowledgeable of targeted occupations.
COMPLETED	Refine tasks and competencies based on interviews.
9/95	Conduct skills assessment.
9/95	Determine skill deficiencies by task and competency.
10/95	Identify methods to improve skill deficiencies through: - training and/or - targeted recruitment.
10/95	Analyze existing curricula to determine course revision requirements.
11/95	Develop new methods and/or materials as necessary.
11/95	Design training materials.
12/95	Implement training and other methods to provide skills.
1/96	Evaluate and revise materials as needed.
Per project schedule	Define training/skill needs at each organizational level for operations and end user positions. Conduct skills assessments against identified needs. Conduct extensive analysis to identify training/skill gaps. Develop and implement training programs to bridge identified gaps. Evaluate training and conduct periodic skill reassessments to update knowledge and maintain high skill levels.

\* Training/skill requirements for operations are embedded in TSM project plans.

## SOFTWARE DEVELOPMENT

---

### RECOMMENDATION: -- LEVEL 2 FOR CONTRACTORS (GAO-10):

Immediately require that all future contractors that develop software for the agency have a software development capability rating of at least Capability Maturity Model (CMM) level 2.

GAO Report pg. 38.

### RESPONSIBLE OFFICE:

Chief Information Officer

### CURRENT STATUS:

IRS agrees with the spirit of this recommendation and will take the necessary steps to improve our software development capabilities. Language requiring level 2 capability is now being included in all Statements of Work for software development.

### KEY MILESTONES:

<u>Date</u>	<u>Action</u>
Immediately	Identify all awarded contracts and in-process solicitations affected by the mandatory CMM level 2 requirement for developing software.
Immediately	For each awarded contract of in-process solicitation, require a detailed action plan and schedule of the contractor for satisfying the CMM level 2 requirement.
11/95	All contractors will initiate efforts leading to attaining CMM level 2.

**KEY MILESTONES CONTINUED**

11/95/  
Ongoing

Monitor progress of contractors in meeting their objectives to attain level 2 maturity.

12/95

Update solicitation requirements for future contractors to include CMM level 2 or greater capability for software development.

Ongoing

IRS will conduct software capability evaluations at any time during the appraisal/certification period.

Ongoing

IRS will maintain a record of the current software capability level of contractors.

## SOFTWARE DEVELOPMENT

---

### RECOMMENDATION -- IMPLEMENT PROCEDURES (GAO-11):

Before December 31, 1995, define, implement and enforce for all TSM projects a consistent set of procedures for requirements management that goes beyond IRS's current request for information services process, and for software quality assurance, software configuration management, and project planning and tracking.

GAO Report pg. 39.

### RESPONSIBLE OFFICE:

Chief Information Officer

### CURRENT STATUS:

IRS has always had a consistent set of procedures for developing systems, however, they have not been consistently followed. We are currently working to improve these procedures, as well as their implementation across the Information Systems (IS) organization.

The Systems Life Cycle (SLC) Implementation Project has been chartered to build IRS-IS organizational capability to develop and operate information systems that meet customer needs through repeatable, sustainable and measurable processes. It will span the entire spectrum of developing and managing systems -- beginning with partnering with the end-user to identify and prioritize business requirements, and ending with managing the systems in operation.

The SLC Project will build missing processes and embed onto this SLC backbone key practice areas and activities. The first step will be to incorporate such areas/activities as configuration management, quality assurance, requirements management, project planning and tracking to achieve Capability Maturity Model (CMM) level 2. The next step is to incorporate such activities as systems engineering, testing and infrastructure management to achieve CMM level 3.

Business requirements will be managed throughout the life cycle using a documented configuration management discipline. This involves configuration identification, configuration control, configuration status accounting, and configuration audits. Implementation of configuration management will ensure that initial system requirements are reflected in the operational systems (i.e., requirements traceability throughout the systems's life cycle). It will also provide a single point of authorization and control of requirements and changes.

To date, a SLC Project Manager has been appointed, a SLC Steering Committee established, SLC Teams assembled, and a SLC Project Charter and SLC Project Plan put in place. SLC processes have been identified and prioritized for design or reengineering. A team is coordinating the integration of configuration management, quality assurance, project planning and tracking, and operations planning activities to the documented activities of the current life cycle. Another team has gathered and summarized all data from executive interviews, lessons learned from Best Practices modules to build into a formal Case for Action that was presented to Information Systems executives and used in redesigning processes and identifying key practice areas and activities. The System Life Cycle processes will be developed in four phases: planning, design, validation and implementation.

**KEY MILESTONES:**

Activity: Project Planning -- February 24, 1995 to March 30, 1995

<u>Date</u>	<u>Action</u>
Completed	Project Manager appointed.
Completed	Project Steering Committee established.
Completed	Project Charter developed.
Completed	Project Plan developed.

**KEY MILESTONES CONTINUED:**

Activity: Design -- April 1, 1995 to April 15, 1996

Date	Action
9/30/95	High level process model designed.
9/30/95	High level release plan completed.
1/31/96	Process measures designed.
4/15/96	Detailed integrated processes/procedures designed.

Activity: Validation -- February 1, 1996 to July 18, 1996

3/17/96	Prototyping initiated.
6/25/96	Prototyping completed.
6/6/96	Transition plans completed.
6/17/96	Final release plan completed.
7/15/96	Conduct readiness review.

Activity: Implementation -- July 18, 1996 to September 30, 1996

8/15/96	Management orientation completed.
8/30/96	Technical infrastructure in place.
9/1/96	Documentation and training schedules distributed.
9/30/96	Overview training completed.
9/30/96	Supporting organization in place.

## SOFTWARE DEVELOPMENT

---

### RECOMMENDATION -- SOFTWARE DEVELOPMENT METRICS (GAO-12):

Before December 31, 1995, define and implement a set of Software Development Metrics to measure software attributes related to business goals, such as 1) fewer product defects found by customers, 2) earlier identification and correction of defects, 3) fewer defects introduced during development, 4) faster time to market, and 5) better predictability of project schedules and resources.

GAO Report pg. 39.

### RESPONSIBLE OFFICE:

Chief Information Officer

### CURRENT STATUS:

As previously discussed under implementing procedures, the Systems Life Cycle (SLC) Implementation Project has been chartered to build IRS-IS organizational capability to develop and operate information systems that meet customer needs through repeatable, sustainable and measurable processes. It will span the entire spectrum of developing and managing systems -- beginning with partnering with the end-user to identify and prioritize business requirements, and ending with managing the systems in operations.

IRS has recently baselined all current systems using a Software Engineering Institute (SEI) accepted metric. As part of the SLC Project, IRS will be developing a comprehensive measurement plan to link process outputs to external requirements, corporate goals and recognized industry standards. In addition, metrics are being used for estimating in some TSM development efforts. IRS is currently working to define a suite of software metrics, developing processes to support producing software metrics, and developing an implementation plan for software metrics.

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
9/30/95	Initial suite of metrics defined.
9/30/95	Initial metrics process defined.
11/30/95	Final suite of metrics defined.
11/30/95	Final metrics process defined.
11/30/95	Initial metrics implementation plan.
12/31/95	Final metrics implementation plan.
1/8/96	Initial process implemented.
6/30/96	Initial metrics produced.

## TECHNICAL INFRASTRUCTURE

---

### RECOMMENDATION -- INTEGRATED SYSTEM ARCHITECTURE (GAO-13):

Before December 31, 1995, complete an Integrated System Architecture (ISA), including security, telecommunications, network management and data management.

GAO Report pg. 47.

### RESPONSIBLE OFFICE:

Chief Information Officer

### CURRENT STATUS:

As previously illustrated on the chart on page 2, the Integrated System Architecture is the linkage between business analysis and design with technical design and development. It is the nexus of strategic information management and technical management. The System Architect's Office, System Engineering, the Infrastructure Task Group and the Information Systems Security Working Group, including IRS, Integrated Support Contract and Tax Systems Modernization Institute representatives, have met several times to determine how best to meet the intent of the GAO's direction. The following are viewed as the requirements:

- complete the architecture definition,
- combine the infrastructure, function, security and data architecture threads in a single place,
- provide in a single volume the entire top level view, including enough detail to serve as high level design guidance to designers, and
- provide in this very same volume, sufficient exposition to allow the technically-trained person who is new to the architecture to see its entire structure laid out.

**KEY MILESTONES:**

IRS plans to take the following approach to satisfy system developers' needs and to meet the intent of GAO's recommendation. In July 1994, the Architect's Office issued a memorandum on the IRS Information System Architecture. IRS plans to revise and expand the July 1994 document, improving the base architecture definition, expanding the security component, adding network management and adding data modelling, engineering and management. It will also address transition issues, pointing out how TSM will achieve a reengineered upgrade to current systems, process and methods.

<u>Date</u>	<u>Action</u>
4/96	Draft document available for review.
9/96	Document with supporting material completed.

## TECHNICAL INFRASTRUCTURE

---

### RECOMMENDATION -- CONFIGURATION MANAGEMENT (GAO-14):

Before December 31, 1995, institutionalize formal configuration management for all newly approved projects and upgrades and develop a plan to bring ongoing projects under formal configuration management.

GAO Report pg. 47.

### RESPONSIBLE OFFICE:

Chief Information Officer

### CURRENT STATUS:

As previously discussed under software procedures and metrics, the Systems Life Cycle (SLC) Implementation Project has been chartered to build IRS-IS organizational capability to develop and operate information systems that meet customer needs through repeatable, sustainable and measurable processes. It will span the entire spectrum of developing and managing systems -- beginning with partnering with the end-user to identify and prioritize business requirements, and ending with managing the systems in operation.

As the SLC processes are designed or reengineered, configuration management activities will be integrated into them at every phase of the life cycle. The System Life Cycle processes will be developed in four phases: planning, design, validation and implementation.

In 1994, IRS established a Configuration Control Board (CCB) which approves all project charters. Among its many activities, Information Systems will be identifying the barriers to implementation of configuration management and the decisions required by the Chief Information Officer before proceeding further with the implementation of configuration management activities. A series of plans that have already been developed, including the Configuration and Quality Management Implementation Plan and the Information System Organization Configuration Management Plan, will help us move forward. The Configuration Management Plan (version 1.0, 5/18/95) provides the strategy and procedures to implement

configuration management in all newly chartered projects and to transition existing information systems into formal configuration management activities.

**KEY MILESTONES:**

Activity: Project Planning -- February 24, 1995 to March 30, 1995

<u>Date</u>	<u>Action</u>
Completed	Project Manager appointed.
Completed	Project Steering Committee established.
Completed	Project Charter developed.
Completed	Project Plan developed.

Activity: Design -- April 1, 1995 to April 15, 1996

9/30/95	High level process model designed.
9/30/95	High level release plan completed.
1/31/96	Process measures designed.
4/15/96	Detailed integration processes and procedures designed.

Activity: Validation -- February 1, 1995 to July 18, 1996

3/17/96	Prototyping initiated.
6/25/96	Prototyping completed.
6/6/96	Transition plans completed.
6/17/96	Final release plan completed.

**KEY MILESTONES CONTINUED:**

7/15/96                      Conduct readiness review.

Activity: Implementation -- July 18, 1996 to September 30, 1996

<u>Date</u>	<u>Action</u>
8/15/96	Management orientation completed.
8/30/96	Technical infrastructure in place.
9/1/96	Documentation and training schedules distributed.
9/30/96	Overview training completed.
9/30/96	Supporting organization in place.

## TECHNICAL INFRASTRUCTURE

---

### RECOMMENDATION -- SECURITY, DISASTER RECOVERY, CONTINGENCY PLANS (GAO-15):

Before December 31, 1995, develop security concept of operations, disaster recovery, and contingency plans for the modernization vision and ensure these requirements are addressed when developing information system projects.

GAO Report pg. 47.

### RESPONSIBLE OFFICE:

Chief Information Officer

### CURRENT STATUS:

IRS is reviewing existing documentation to determine how best to incorporate GAO's recommendations into our strategic documents. Previous work has already been done on both a security concept of operations and a disaster recovery and contingency plan. As recently as this May, a working group was formed to develop a plan for completing the security concept of operations. The disaster recovery and contingency plans can be developed by updating the previously prepared TSM Disaster Recovery Strategy Document.

### KEY MILESTONES:

<u>Date</u>	<u>Action</u>
9/1/95	Complete annotated outline of Security document.
9/15/95	Complete review of TSM Disaster Recovery Strategy (DRS) Document.
10/2/95	Complete initial draft of Security document.
11/1/95	Complete revised draft of DRS.

**KEY MILESTONES CONTINUED:**

- 11/15/95 Complete revised draft of Security document.
- 12/15/95 Complete update pages to Business Vision documents.
- 12/31/95 Complete final draft of DRS.
- 12/31/95 Complete final draft of Security document.

The above action plan reflects current business and Information Systems strategies.

## TECHNICAL INFRASTRUCTURE

---

### RECOMMENDATION -- TEST AND EVALUATION MASTER PLAN (TEMP) (GAO-16):

Before December 31, 1995, develop a Test and Evaluation Master Plan (TEMP) for modernization.

GAO Report pg. 47.

### RESPONSIBLE OFFICE:

Chief Information Officer

### CURRENT STATUS:

In addition to the following steps that IRS is taking to develop the TEMP, we are also establishing an Integrated Test and Control Facility (ITCF) as indicated on page 40.

### KEY MILESTONES:

<u>Date</u>	<u>Action</u>
In process	Secure funding, priority and staff to develop the TEMP.
10/16/95	Conduct analysis of the current TSM business strategy, CONOPS and Information Technology (IT) documents.
11/17/95	Develop IRS business strategy and related documents which reflect recent changes in the funding levels and program direction.
11/17/95	Define success factors and evaluation criteria.

**KEY MILESTONES CONTINUED:**

- 12/1/95                    Develop Information Systems (IS) strategy and documents which are aligned with the business strategy documents.
- 12/15/95                  Create a TEMP.
- 12/29/95                  Coordinate the TEMP with business and IT organizations.

## TECHNICAL INFRASTRUCTURE

---

### RECOMMENDATION -- INTEGRATION TESTING AND CONTROL FACILITY (GAO-17):

Before December 31, 1995, establish an integration testing and control facility.

GAO Report pg. 47.

### RESPONSIBLE OFFICE:

Chief Information Officer

### CURRENT STATUS:

The Integration, Test and Control Facility (ITCF) is a critical component of the TSM infrastructure. It will merge integration testing, systems testing, the Network and Operations Command Center, the National Transmittal Center, the Integration and Engineering Lab, and developmental personnel. As previously discussed under the Testing and Evaluation Master Plan, ITCF's objective is to comprehensively integrate and test TSM subsystems, systems, components and software at one site. It also will allow for centrally managing nationwide computer systems and networks, provide software deployment and version control, and supply software development support to these activities.

IRS is currently working with the General Service Administration for possible sites for the ITCF. We are hopeful that a site can be selected this Fall. This would enable us to proceed with the initial build out of the ITCF this December with an estimated completion date of December 1996.

While the process for a permanent ITCF is underway, IRS also has an immediate need for an interim capability for such projects as the Document Processing System (DPS) and the Integrated Case Processing (ICP) System. IRS is planning to establish an interim test and control capability later this year.

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
9/95	Site selection.
9/95	Establish interim ICP capability at Poplar Run facility.
12/95	Lease in place for permanent facility.
12/95	Initial build-out of ITCF at permanent facility.
3/96	Detailed concept of operations and environmental layout at permanent facility.
12/96	Completion of ITCF.

## TECHNICAL INFRASTRUCTURE

---

### RECOMMENDATION -- INTEGRATION PLAN (GAO-18):

Before December 31, 1995, complete the modernization integration plan and ensure that projects are monitored for compliance with modernization architectures.

GAO Report pg. 47.

### RESPONSIBLE OFFICE:

Chief Information Officer

### CURRENT STATUS:

IRS has developed a release engineering approach to successfully transition from its current environment to one meeting TSM-defined objectives and capabilities. The release engineering approach examines the development of information systems as support to business strategies, Concepts of Operations, information system strategies and business priorities given budget and resource constraints as analyzed under the process for reviewing investments discussed previously. The release engineering approach considers the modernization integration plan as one aspect of the overall system development that needs to be prepared in concert with other developmental plans, specifications and efforts, such as release requirements specifications, release designs and the test and evaluation master plan.

Release engineering is a more comprehensive approach than what was outlined in the preliminary integration plan. By having this broad view of the system, release engineering provides specific implementation guidance and processes needed for the development, integration and implementation of TSM efforts. It also ensures that systems developed under various TSM efforts can be properly transitioned to the integrated system as defined under the TSM system architecture.

One major deliverable of this approach is the development of the Release Definition Document (RDD). The RDD draft which was issued May 15, 1995 identifies the portions of TSM capabilities and necessary technical content for each release by fiscal year. Also

included is the functionality delivered by site type, and by year. This enables identification of both common and unique TSM products/capabilities for each site type. (The underlying infrastructure components necessary to support deliverable functionality are derived and then scheduled for completion.) In this way, the formal links between the projects, architectural components, and releases can be captured and monitored using specific Release Integration and Test Plans. Additional initiatives are currently underway to support successful implementation of the release engineering approach for achieving an integrated and comprehensive architectural implementation.

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
Completed	Create the Release Definition Document (RDD).
Program Management	Build the Release Management Plan (RMP).
2nd Qt. 1996	Develop Release Requirements Specifications.
2nd Qt. 1996	Develop Release CONOPS Document.
3rd Qt. 1996	Develop Release Architecture Description Document.
3rd Qt. 1996	Develop Release Integration and Test Plans.

The introduction of the release engineering concept for TSM means there will be cyclic RDDs, RMPs and that an integration plan will be required for each cyclic release. The first, limited release under release engineering will be in 1997, building the foundation for a major release in 1998.

## BEST PRACTICES

---

GAO case studies of senior management teams in leading organizations show that successful organizations take information management very seriously. GAO identified 11 "Best Practices" which the senior managers in these leading organizations used. GAO then developed an assessment based on this research.

In November 1994, a group of IRS executives and managers used this tool to conduct a self-assessment of our management maturity compared to the best practices developed by GAO. The result of this assessment was presented to IRS' Executive Committee in December 1994. In March 1995, IRS decided to conduct a nationwide Strategic Information Management (SIM) self-assessment.

The Associate Commissioner Designee, with the support of the Chief Officers and Regional Commissioners, assembled a team of IRS managers and GAO representatives in April 1995 to facilitate the nationwide assessment. The assessment was conducted in April and May 1995, with a cross section of over 70 participants from the field and National Office.

In summary, the participants believe IRS is at the stage of defining its approach to managing information resources strategically. Participants concluded that:

- IRS executives and managers are beginning to take responsibility for strategic business decisions, in which information technology solutions play a part.
- Core business processes have been defined.
- High level goals have been identified.
- Business and information resources managers are defining their respective roles and responsibilities.

However, the nationwide self-assessment results show that in order to fully institutionalize SIM, the IRS needs to focus on five areas for recommended actions including the Investment Review Board; IRM standards, investment criteria, measures and communication strategy. IRS actions to implement these findings are documented on the following pages.

## BEST PRACTICES

---

### SHORT TERM GOAL -- INVESTMENT REVIEW BOARD (BP-1):

Establish an Investment Review Board (IRB) to include crossfunctional Servicewide representation and the Associate Commissioner to review, prioritize, select, monitor all current and future Information Technology initiatives.

- Assign each TSM project to an owner, with responsibility for justification and prioritization using investment criteria throughout the life cycle of the project;
- Establish usability certification for prototype and pilot, and a disciplined site certification before rollout; and
- Modify the managerial evaluation systems and implement training to provide accountability for Strategic Information Management.

GAO made a similar recommendation to implement a complete process for selecting, prioritizing, controlling and evaluating the progress and performance of all major information systems investments. (See GAO-6, pg.15.)

### RESPONSIBLE OFFICE:

Associate Commissioner Designee/Chief Management and Administration

### CURRENT STATUS/KEY MILESTONES:

The Associate Commissioner Designee and the Chief Officers already meet on a periodic basis to make corporate-level decisions on plans, schedules and budget priorities for achieving the Business Vision. It is IRS' intention that this group assume the responsibilities envisioned under the Investment Review Board recommendation.

## BEST PRACTICES

---

### SHORT TERM GOAL -- IRM STANDARDS (BP-2):

Establish a team comprised of representatives from operations and support activities to review and modify existing IRM standards to ensure that they address the business needs of the organization and establish additional standards as needed. (See GAO-4, pg.11);

- Develop and issue written guidance describing roles, relationships and governance structure critical to Strategic Information Management, and provide for integration of Totally Quality Organization and Core Business Systems efforts (See GAO-3, pg.9);
- Consistently enforce the established national standards by requiring adherence through the budget review and allocation process;
- Define requirements for management information, space, telecommunications, training, furniture, and security in the system design and development;
- Define the training/skill needs at each organizational level for both information systems and operations personnel; conduct a skills assessment against the needs defined; implement a training program to bridge the gap (See GAO-9, pg. 20);
- Use customer input to determine accurate Information Technology staffing requirements in support of business and Information Systems actions.

GAO made several similar recommendations, including enforcing technical standards (GAO-4), linking reengineering efforts to modernization (GAO-3) and skills assessment/training (GAO-9).

### RESPONSIBLE OFFICE:

Associate Commissioner Designee and all Chief Officers

**CURRENT STATUS:**

The Chief Information Officer, in conjunction with the Associate Commissioner Designee and the other Chief Officers, will take the necessary actions to ensure that standards are enforced Agencywide. The actions that will be taken are documented under GAO-4, pg. 11.

## BEST PRACTICES

---

### SHORT TERM GOAL -- INVESTMENT CRITERIA (BP-3):

Develop and consistently use investment criteria to review, prioritize and fund current and future Information Technology investments (See GAO-6, pg. 15).

- Develop an investment strategy which incorporates the use of market research professionals to define external and internal customer needs.
- Prioritize all current and future Information Technology investments and fully fund those projects with the highest priority (See GAO-7, pg. 18).
- Pursue a multi-year budgeting process that allows the flexibility to shift funding between appropriations; give heads of office greater budget authority so they can make business decisions within established national standards.

GAO also recognized the need for explicit decision criteria for use in selecting, prioritizing, controlling and evaluating all major information system investments.

### RESPONSIBLE OFFICE:

Associate Commissioner Designee/Chief Management and Administration

### CURRENT STATUS/KEY MILESTONES:

IRS has developed an initial set of investment evaluation criteria. These criteria are being used as part of an ongoing process to evaluate spending plans for information systems. IRS recently completed a comprehensive review of the proposed FY 1996 budget for TSM. This review enabled IRS to rescope its program objectives, set priorities and adjust funding levels for TSM.

In conjunction with the Department of Treasury and the Office of Management and Budget, IRS continues to explore alternative funding strategies for TSM that would provide multi-year funding for IRS' modernization initiatives.

## BEST PRACTICES

---

### SHORT TERM GOAL -- DEVELOPING MEASURES (BP-4):

Based on customer input (both internal and external), review and eliminate lower level measures that do not support the corporate objectives and develop measures to accurately monitor compliance.

- Develop a clear and measurable gauge of voluntary compliance;
- Tie incentives and recognition of both functional and support activities to the accomplishments of mission objectives (as captured by the performance measures) and systems delivery;
- Use measures to provide accurate and current information, allowing managers to monitor their accomplishments, and plan for future needs and program delivery.

Measures were also covered by GAO during their review of TSM, but no specific recommendations for improvement were made.

### RESPONSIBLE OFFICE:

Chief Management and Administration

### CURRENT STATUS:

IRS has developed a measures framework (also referred to as the measures hierarchy) that spells out performance indicators to be used to assess progress in meeting the mission, objectives and seven Servicewide performance goals for FY 2001. IRS' Executive Committee approved the measures framework on August 10, 1995. This framework will enable IRS functions to review and modify lower level performance indicators and consider eliminating or revising those that do not directly support the attainment of the corporate goals. Baselines for the performance indicators contained in the measures framework are under development and are expected to be included in the final BMP.

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
10/1/95	Fiscal Year 1995 ends and data necessary to compile baseline indicators is available.
11/15/95	Baseline indicator development is completed and ready for inclusion in final BMP.
Fall 95	Formal BMP document is published and is available for distribution.

## BEST PRACTICES

---

### SHORT TERM GOAL -- COMMUNICATION STRATEGY (BP-5):

Develop and implement a Strategic Information Management (SIM) communications strategy that provides key and usable information, at the appropriate time, targeted to meet customer needs:

- Actively pursue internal and external customer needs on a national basis. Seek expanded authority to survey external customers.
- Communicate Strategic Information Management goals, planning, programming and results to customers.
- Determine effectiveness of communication by use of an objective communication assessment model.

### RESPONSIBLE OFFICE:

Associate Commissioner Designee/Chief Management and Administration

### CURRENT STATUS:

Activities are already underway to incorporate Strategic Information Management into communications strategies and documents, including assessing the communication needs of various customer groups. A Communications Planning Matrix is being prepared to identify key SIM events, messages and targeted audiences for Fiscal Year 1996.

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
Completed	The Business Vision Communication Planning Group will assume responsibility for communications related to strategic information management. The group is comprised of representatives from the Office of the Associate Commissioner Designee, Legislative Affairs, Media Relations and Internal Communications among others.
In Process	Business Vision Communication Planning Group will initiate steps to survey internal and external customers on communication needs relative to strategic information management.
10/95	Incorporate strategic information management in the updated Business Vision Executive Communications Guidebook.
11/95	Incorporate strategic information management into next issuance of the IRS FY 1996 Strategic Communications Plan.
11-12/95	Incorporate strategic information management in next version of Progress Report on Modernizing the IRS.

## REPORTING REQUIREMENTS

---

### REPORT ON IRS ACTION PLAN:

GAO's July 26, 1995 letter to Commissioner Richardson requires IRS to submit a written statement on actions taken on these recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight not later than 60 days after the date of this report. GAO further indicates that a written statement must also be sent to the House and Senate Committees on Appropriations with the first request for appropriations made more than 60 days after the date of this report.

The House Appropriations Subcommittee Report on Treasury, Postal Service and General Government further stipulates that the expenditure of a portion of the TSM funds for Fiscal Year 1996 is prohibited until the IRS provides a plan for implementing, by September 30, 1996, the GAO recommendations included in its 1995 report. The report must be submitted to the House Appropriations Committee and the House Ways and Means Committee. The House Appropriations bill language also requires that a report be submitted to the Senate Appropriations Committee. The House Appropriations Subcommittee on Treasury, Postal Service and General Government also requires that IRS address the methods it will use to ensure sufficient technical and management expertise and skills are available to develop and implement TSM, an area which the Subcommittee believes should be solved through contract rather than through direct hiring on the part of the IRS.

In addition, the Senate Appropriations Subcommittee Report and language on Treasury, Postal Service and General Government also contains reporting requirements. The IRS is required to explain in detail and provide a completion schedule for all actions being taken to successfully mitigate deficiencies recently identified by GAO. (The Senate requires IRS to complete specific actions by December 31, 1995 and others by July 1, 1996.) Not later than 30 days after submission of the Commissioner's report, GAO will provide the Committees on Appropriations of the House and the Senate an independent assessment of that report. The Senate further requires a report that identifies, evaluates and prioritizes all systems investments planning for fiscal year 1996, using explicit decision criteria.

**RESPONSIBLE OFFICE:**

Associate Commissioner Designee, All Chief Officers

**KEY MILESTONES:**

<u>Date</u>	<u>Action</u>
9//95	IRS' action plan provided to key Congressional committees as indicated above.
10/95	Chief Officers begin reporting monthly to the Associate Commissioner Designee on action plan status.

**MEMORANDUM FOR LAWRENCE SUMMERS**

**FROM:** Margaret Milner Richardson  
Commissioner of Internal Revenue

George Muñoz  
Assistant Secretary (Management)  
and Chief Financial Officer

Linda Robertson  
Assistant Secretary (Legislative Affairs)

**SUBJECT:** Action Plan: TSM Funding Legislative Strategy

**BACKGROUND:**

This strategy is based on your and the Secretary's guidance that "we should do the right thing on TSM funding." Using these watch words, Treasury and IRS looked hard at our original FY 97 TSM budget request of \$850 million and determined we cannot spend this amount wisely in the coming year. Indeed, we have reached consensus that we should reduce our request by \$191 million dollars. This cut will limit our request for FY97 to \$659 million.

**PURPOSE**

Acknowledging the need to cut our budget request, this memorandum outlines two possible legislative strategies that you should consider and then recommends one of them to you for action. This memorandum then proposes a series of meetings and telephone calls that you should have with key Congressional officials as soon as possible.

**FUNDING OPTIONS EXPLORED**

Option 1: Reduce the FY 1997 Funding Request for TSM from \$850M to \$659M and not request the \$191 million balance be kept in a "no year" or "advanced appropriation" status.

This strategy is based on several factors:

-- It demonstrates the department's and IRS's resolve to self-regulate.

-- It provides the department with a vehicle to demonstrate that the "sharp turn" has begun.

-- The Committee is unlikely to fund the entire request given the unusually tight budget restrictions under a reduced allocation for FY 1997.

This strategy would, ideally, produce two results:

-- It would ease the pressure on the Committees to fund Treasury priorities under tighter budget caps.

-- It would give us the opportunity to reiterate to the Committees our continued commitment to other Treasury funding priorities.

Option 2: Call for the full \$850M for TSM, but over a FY 1997 and FY 1998 time frame (659 in FY97, the balance in FY98)

This strategy is based on three factors:

-- Congress may feel the need to cut any request we make for TSM. If we put our bottom line \$659 figure on the table, Congress may make an arbitrary cut thinking we asked for more than we actually need. Option 2 provides them the opportunity to make a cut, without affecting our bottom line figure of \$659. (We could send a signal that this is our intent.)

-- the need to maintain the integrity of the President's budget.

-- it sends a clear message that we will need the \$191 million balance in the following year.

This approach would produce three results:

-- It would reflect the Administration's original commitment to a reasonable funding level for this stage of TSM.

-- It would demonstrate, although less so than Option 1, that Treasury and IRS get it.

-- It may succeed in getting the \$191 million balance secured for next year, although this scenario is unlikely.

#### **Tactical Legislative Strategy Outlined**

IRS and Treasury Management have completed the first round of briefings with key committee staffers and GAO. We believe it is now time for you to call on a few key members and make a series of calls.

We recommend that you direct us to set up meetings for you with:

- Chairman Shelby and Senator Kerry

- Chairman Lightfoot, Congressman Hoyer, Congressman Istook

We also recommend you call:

-- Senators Campbell, Jeffords and Mikluski

-- Congressmen Kingston, Forbes, Visclosky and Coleman

Below you will find Talking Points for these meetings and calls:

-- I am calling to inform you that we are reducing our budget request by almost \$200 million.

-- This reduction is based on the hard look Treasury Management and IRS has given to our the original request of \$850 million.

-- The Secretary and I charged IRS and Treasury Management to scrutinize closely our budget request and to build a case for spending every dime of the \$850.

-- Based on this guidance, they have clearly made the case for spending \$659 million of the original \$850.

-- We stand ready to make a case for the \$659 million.

-- I hope you will support this change in our request.

RECOMMENDATION

That you approve of Funding Option 1

AGREE

DISAGREE

DISCUSS

That you agree to do the meetings and calls recommended above.

AGREE

DISAGREE

DISCUSS

~~1996 SE-004457~~ ~~Strategy~~ Cheryl/Bernetta



THE DEPUTY SECRETARY OF THE TREASURY  
WASHINGTON

Spoke to Chairman  
Lightfoot 5-20-96

May 17, 1996

MEMORANDUM FOR SECRETARY RUBIN

FROM: Lawrence Summers

SUBJECT: TSM Funding Strategy Action Plan

I convened a meeting today to discuss TSM funding. The IRS laid out a plan to reduce their original FY 1997 budget request from \$850M to \$664M, a reduction of \$186M. I believe this plan is reasonable and that the time is right to engage the Appropriation Committees.

Before notifying Congress directly, we must obtain the consent of OMB to reduce our budget request. This is in lieu of getting OMB to submit a formal budget amendment to Congress. I plan to call Jack Lew tonight to notify him of our intention and ask for his support.

If I succeed in gaining his support to engage the Appropriators, I plan to call Congressman Hoyer to announce our intention to reduce our budget request by approximately \$175 million. I will also communicate to Mr. Hoyer that a formal letter setting out the details of our revised funding strategy will be submitted to him on Thursday, May 23, 1996.

It would be helpful, prior to my call, if you would call Congressman Lightfoot over the weekend and communicate the same message about our reduced funding strategy. I have attached a set of talking points for your call.

I will contact you as soon as I get through to Jack Lew and let you know that we can proceed with the Congressional calls.

Bob - I'll call you  
discuss

will faxed  
to RER

will call to JBN  
5/20/96 SMAT  
ABD

Please Rob L.  
Loj I ~

**Talking Points for Phone Call to  
Chairman Lightfoot and Congressman Hoyer  
May 17, 1996**

***Revised TSM Funding for FY 1997***

- ☛ I want to update you on our progress in bringing more management focus to the TSM project, a program that both you and I know is absolutely critical.
- ☛ Larry and I charged IRS and Treasury Management to scrutinize closely our budget request and to present the case for the essential funding level needed in FY 1997.
- ☛ Following a rescope by the IRS and Treasury, we have determined that, under our revised approach, we will need about \$175 million less than originally estimated in FY 1997 for TSM.
- ☛ This approach includes significantly greater use of outside contractors.
- ☛ This scaling back of FY 1997 funding reflects a recognition of the rigorous review now underway on the entire TSM effort.
- ☛ **Note:** It may be necessary in FY 1998 to add funding for TSM as progress is made on our milestone schedule.
- ☛ We are in the final stages of completing the funding review and we plan to send you the details of our proposal by Thursday, May 23.

***Reallocation of Savings from TSM***

- ☛ If the Subcommittee allocations come in lower than our total Treasury request, I hope this reduction in TSM funding affords you an opportunity to direct funds to other Treasury priorities, such as the Southwest Border initiative, CDFI, and IRS Compliance.



THE DEPUTY SECRETARY OF THE TREASURY  
WASHINGTON

MEMORANDUM FOR SECRETARY RUBIN

FROM: Larry Summers

SUBJECT: TSM Hearing and Plan of Action

Bob, while you were out, I testified before the Treasury, Postal Service Appropriations Subcommittee about Tax Systems Modernization at the IRS. The good news: on balance, I believe we got a good message across. Linda Robertson correctly advised me to establish credibility by being candid and essentially critical of the IRS. I said the project had gotten off track, mistakes were made, but we've had some progress, and we're now tightening our oversight. The members did not blame this Administration; they all said they could not give up on the project--that it had to be done, but done right.

The bad news: the Committee members emphatically expressed their dissatisfaction. Mr. Lightfoot called it a "\$4 billion fiasco" and likened TSM to the FAA situation. He threatened to zero out the budget, particularly if we do not come up with the four reports the Committee asked for a year ago. These were: decision criteria to evaluate and prioritize investments; schedules for mitigating deficiencies identified by GAO and for developing and implementing all projects; and a plan for expanding the use of outside contractors.

Until we deliver these reports, \$100 million in FY 1996 funds will remain fenced. Even with the reports, it's likely we will encounter more fencing and perhaps substantial cuts in FY 1997.

Because everyone wants to judge us by results, I'm insisting that the IRS submit a high-level plan and four polished reports before the Committee marks up the FY 1997 budget--in about six weeks. I'm concerned that the IRS has not been able to deliver these products within a year's time, and I plan to have TRW help with the preparation of at least some of the reports.

I also plan to emphasize oversight over partnership through a strengthened version of the MMP (Modernization Management Partnership) that acts like a board of directors. I'll personally chair the meetings and spend the time that I hope will make it work. We'll have our first "board" meeting on Friday.

Attached is further detail on the planned activities for getting the reports done.

Attachments



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON

MAR 20 1996

**MEMORANDUM FOR DEPUTY SECRETARY SUMMERS**

**FROM:** George Muñoz *GM*  
Assistant Secretary for Management & CFO

**SUBJECT:** TSM Plan of Action and Milestones

**ACTION FORCING EVENT:**

Yesterday you received a briefing and materials that described a plan of action and milestones for enhancing oversight of TSM at the IRS and providing appropriate reports to Congress. The associated plan, memorandum and directives to the IRS and your Departmental direct reports are ready for signature.

**RECOMMENDATION:**

That you approve the attached plan of action and milestones at TAB A.

*GM* Approve

\_\_\_\_\_ Disapprove

\_\_\_\_\_ Let's Discuss

**BACKGROUND:**

Immediately after your testimony on TSM before the House Subcommittee on Treasury, Postal Service Appropriations, you directed that we develop a plan for completing the four reports required by the Subcommittee. You also directed that we obtain a mid-level description of TSM and other acceptable documents that would effectively communicate with our external stakeholders and satisfy GAO and NRC that the Department is taking the right action.

The attached plan of action and milestones will enable you to:

- 1) obtain acceptable documents to communicate with the Department's external stakeholders;
- 2) satisfy the GAO and NRC that the Department is taking the right action; and
- 3) provide the infrastructure and resources you will need to accomplish (1) and (2) above.

Your personal involvement with the Commissioner to set the course of our future oversight responsibilities and to chair the MMP during its regular meetings is required to execute this plan.

Upon your approval, we will work with the IRS to plan and execute the first executive board session to be held on Friday, March 22.

Attachment

**TSM CORRECTIVE ACTION: PLAN OF ACTION AND MILESTONES (NEAR TERM)**

The Deputy Secretary will:

- (1) obtain acceptable documents to communicate with the Department's external stakeholders;
- (2) satisfy the GAO and NRC that the Department is taking the right action; and
- (3) provide the infrastructure and resources he will need to accomplish (1) and (2) above.

Each of these objectives will be accomplished as described in the attached Plan of Action and Milestones.

---

\_\_\_\_\_ Approve

\_\_\_\_\_ Disapprove

\_\_\_\_\_ Let's Discuss

**KEY DECISION INPUTS**

(1a) Make the following decisions which provide the key inputs to the four reports required by Congress.

ITEM	RESPONSIBLE FOR BY DATE CERTAIN	DISCUSSION
DPS -- determine if it is in or out of the rescope plan.	Friday March 22. Van Alfen (11 - 4 p.m. or as modified).	Task the IRS with a DPS investment review by the "Board of Directors". Provide advance material. Make the case. This issue, and all issues on the Friday session, should be conducted with the most current information and material that the IRS has produced. They can be drafts. Final material is not required, although it can be used.
		Support long enough to definitively assess risk of DPS. Buy call option instead of stock. Imaging and scanning technology is vital to solving the front end problem. Provide time for Gross to evaluate.
Project Analysis -- develop credible project level analysis to support investment priority list. Follow-on decisions and reevaluation will be required to address FY96/97 projects displaced by DPS investment. Goal: work through IRB.	Friday March 22. Van Alfen	Will have to triage. Build off IRB reviews -- focus on most sensitive items. Adjust Dep Sec deadline of June 1; complete balance of business cases at new and specific times. Send two level analysis to Hill (DepSec reviewed and other)
Prime Contractor -- decide whether and how to get to a prime contractor.	Friday March 22. Knight	Analysis and options to increase the use of outside contractors. Recommend whether and how to get to a prime.

## PLAN AND REPORTS

(1b) Develop and approve an outline of the high level, concrete marketing document which the Deputy Secretary will use to describe his plan to implement TSM. Develop and submit the four Congressional reports.

ITEM	RESPONSIBLE FOR BY DATE CERTAIN†	DISCUSSION
The Plan.	TRW Project Manager March 29.  Outside consultant provide additional samples and guidance on March 22.	Adopt an incremental development approach. Find some samples. Get senior level approval from an outline with examples and a single "drill-down" page for each major section.  Proceed to fill in.
Rpt #1: Investment Priorities.	Van Alfen March 25 -- draft; April 3 -- final	Same as above.
Rpt #2: Modernization Schedule.	Van Alfen March 25 -- draft; April 3 -- final	Same as above.
Rpt #3: Increased use of outside contractors.	Van Alfen March 25 -- draft; April 3 -- final	Same as above.
Rpt #4: GAO Recommendation Status.	Van Alfen March 25 -- draft; April 3 -- final	Same as above.

† = Final dates to be negotiated with IRS.

**STAKEHOLDERS**

(2) Develop and take action on a plan to get GAO and NRC endorsement of the Deputy Secretary's plan prior to submission to Congress. Limited progress will be possible given the short time frame.

ITEM	RESPONSIBLE FOR BY DATE CERTAIN	DISCUSSION
GAO	Gould	Goal: agree that something has been fixed v. everything is broken -- moving in the right direction.
NRC	Leland	Same. May not be reachable. Steps already identified. Ltr describing steps taken since last new data of NRC report.
Contractors	Van Alfen/Chou	TRW, FFRDC (TSMI) review and support.
Trade Press	Schloss	Relate public and private sector experience. Approval of Dep Sec action through the press.
Hill	Robertson	Manage expectations. Here is what we don't know and need to know to give you everything you want. Here are the steps we will take and the timeline to produce the blueprint, priorities, and schedule you require.

## INFRASTRUCTURE

(3) Create the infrastructure to support the oversight role: define the new MMP, develop the working relationship, and obtain additional resources.

ITEM	RESPONSIBLE FOR BY DATE CERTAIN	DISCUSSION
MMP Charter	Muñoz	Revise charter -- more "O" than "P".
Outside Consultant.	Welch	Blend. TRW to write. Whittaker to review and advise DS/ASM&CFO
Relationship	Summers	Set new direction for Departmental oversight directly with the Commissioner.



ISTANT SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON

MAR 19 1996

MEMORANDUM FOR DEPUTY SECRETARY SUMMERS

FROM: George Muñoz *GM*  
Assistant Secretary for Management & CFO

Subject: Outside Consulting for TSM Blueprint and Report Preparation

**ACTION FORCING EVENT:**

In accordance with your request after the hearings last Thursday, we have identified several options for assisting with completion of the TSM blueprint and Congressionally mandated reports and for providing you with consultation and advice.

**RECOMMENDATIONS:**

That you direct the IRS to have TRW perform the tasks identified at TAB A.

*GM*  Agree  Disagree  Let's Discuss

That you direct the IRS to contract with Management Support Technology, Inc., to acquire the services of Admiral James Whittaker, and others as appropriate, to provide consultation to you as described at TAB B.

*GM*  Agree  Disagree  Let's Discuss

That you direct me to arrange for a meeting between you and the CEO of TRW for the purpose of communicating your vision to the prime TSM integration support contractor, to ensure complete understanding of the tasks described at TAB A.

*GM*  Agree  Disagree  Let's Discuss

That you discuss your decisions with the IRS Commissioner prior to implementation.

*GM*  Agree  Disagree  Let's Discuss

**BACKGROUND:**

House Appropriation Committee hearings on TSM reemphasized the need for Departmental oversight of TSM. Preparation for the hearing and the hearing itself clearly demonstrated the high degree of frustration Committee members, staff and Departmental officials have with the

IRSs' seeming inability to take advantage of essential outside assistance in order to produce the quality documents needed to restore confidence in the IRS's ability to manage this program. The Secretary must deliver several products to the Committee prior to fiscal year 1997 mark-up.

These reports must be of a quality that all external stakeholders, NRC, GAO and the Committee conclude that the Department and IRS finally "get it". The only way to accomplish this is with the assistance of a contractor. Of the several options considered, we conclude that TRW is best positioned to provide this assistance because they: i) have a significant stake in the outcome; ii) have the most intimate knowledge of TSM stemming from their role as prime integration support contractor; and iii) have the corporate resources to accomplish this task in the time required.

For the tasks in Tab B, we conclude that the appropriate contractor would be Management Support Technology, Inc., a firm which can be reached through non-TRW contract mechanisms (such as the Treasury Information Processing Support Systems contracts). This would avoid TRW's becoming involved in a potential conflict of interest.

**Attachments:**

**With respect to the consultation**

**TAB A - Statement of work for preparation of Congressionally required materials**

**TAB B - Statement of work for consultant**

A

## Statement of Work - TSM Executive Level Systems Architecture and Reports

**PURPOSE:** World class consulting and communications expertise is needed immediately to assist the Department in its oversight responsibilities and completion of four Congressional reports prior to fiscal year 1997 appropriations mark-up. The objective is to develop a clear plan for implementation of TSM and to garner continued support for adequate TSM appropriations.

### REQUIREMENTS:

Task item 1. The contractor will prepare an executive level summary of the TSM systems architecture (or blueprint), which describes the system's functionality. This document should also detail the resulting advantages which will accrue to taxpayers and what specific increases in productivity, compliance and customer service can be expected. The plan should contain specific, quantitative and hard edged analysis, what the major improvements are, and how they fit together.

Task item 2. The contractor will finalize four draft reports as described in the fiscal year 1996 Treasury Appropriations Bill. These reports will be prepared by the contractor in conjunction with appropriate IRS, Treasury officials and others as designated.

- a). Quantify explicit decision criteria to identify, evaluate and prioritize all investments known, particularly in fiscal year 1996 and 1997.
- b). Provide a schedule for successfully mitigating deficiencies identified by GAO in its April 1995 report to the Committee and its March 14, 1996 testimony.
- c). Establish a schedule for development and implementation of all projects included in the TSM program.
- d). Provide a plan to expand the utilization of external contractor expertise for systems development and integration.

**DELIVERY SCHEDULE.** The following delivery schedule must be met. Failure of the Government to provide materials of approvals must be immediately reported to the COTR.

Item 1.	First draft for COTR review	April 2
	Government comments	April 5
	Second draft for D/S review	April 10
	Deputy Secretary comments	April 15
	Final report	April 17
Item 2.	First draft for COTR review	April 5
	Government comments	April 10
	Second draft for D/S review	April 15
	Deputy Secretary comments	April 17
	Final reports	April 19

**CONTRACTING OFFICERS TECHNICAL REPRESENTATIVE (COTR).** The COTR is W. Scott Gould, Deputy Assistant Secretary, Departmental Finance and management, Room 2442, Main Treasury. Phone 202-622-2400. FAX 202-622-0968.

B

## **STATEMENT OF WORK**

**PURPOSE:** To provide advice and support to the Deputy Secretary regarding Tax Systems Modernization focusing on the systems architecture component. To participate in the strategic policy and management decisions affecting the IRS's modernization and in asserting a Departmental Management oversight position on TSM project management, prioritization, funding, business case and functionality.

**BACKGROUND:** The General Accounting Office and the Congressional Appropriations Committees have expressed serious concerns over the management of IRS's modernization effort. This concern, coupled with budgetary pressures, has led the House and Senate Appropriations Committees to reduce the Administration's FY 1996 budget for Tax Systems Modernization.

**SCOPE.** The contractor, working closely with senior Departmental Officials will provide advice and support to the Deputy Secretary regarding the strategic policy and decisions affecting IRS Modernization. The contractor will assist the Deputy Secretary in the management oversight of TSM and facilitating progress toward meeting specific program milestones and external oversight recommendations. The contractor will perform reviews and analyses and provide findings and recommendations to the Deputy Secretary through frequent status reports and periodic written and oral reports.

**REQUIREMENTS:** The contractor will review and analyze IRS plans for and progress in meeting Congressional oversight requirements and implementing recommendations in recent GAO reports and other reports, such as National Research Council reports. The contractor will report directly to the Deputy Secretary on his findings and recommendations in these areas and will provide suggestions concerning the structure and oversight of TSM. The contractor's work assignments include, but are not limited to, tasks in the following

### **1. Strategic Information Management/Systems architecture**

Help assure that TSM is getting the systems architecture analysis it needs to effectively guide and influence the strategic policy direction and management decisions. Meet with the IRS Executive for System Architecture and staff to assess plans and progress in improving TSM's key technical activities so that an integrated systems architecture will be completed and used to guide TSM development.

### **2. TSM Management Strategy**

Work with senior Department officials to assess plans and progress in integrating the TSM blueprint (Integrated Transition Plan) with the Business master plan, future concept of operations vision, business process reengineering and the electronic filing strategy- in such a way that all TSM projects achieve the goal of maximizing electronic filing and reflect IRS's improved business practices.

Meet with the Electronic Filing Executive and the Modernization Executive to assess the

connection between the comprehensive electronic filing strategy IRS is developing and the TSM plan. Report status, findings and recommendations on integration regularly to the Deputy Secretary. Meet with the group developing the IRS plan for implementing GAO's recommendations and review and evaluate the plans. Prepare a written report and assessment for the Deputy Secretary.

### 3. Technical Activity Management

Spot check the design and approach to surface potential stumbling blocks. Determine where there might be serious problems and look at areas where there may be serious problems needing further expert analysis. Raise important issues to the Deputy Secretary and senior Department officials with recommendations for further analysis and action.

TREASURY CLEARANCE SHEET

NO. \_\_\_\_\_  
Date \_\_\_\_\_

MEMORANDUM FOR:  SECRETARY  DEPUTY SECRETARY  EXECUTIVE SECRETARY  
 ACTION  BRIEFING  INFORMATION  LEGISLATION  
 PRESS RELEASE  PUBLICATION  REGULATION  SPEECH  
 TESTIMONY  OTHER \_\_\_\_\_

FROM: W. Scott Gould  
 THROUGH: George Munoz  
 SUBJECT: TSM Hearing and Plan of Action

REVIEW OFFICES (Check when office clears)

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Under Secretary for Finance<br><input type="checkbox"/> Domestic Finance<br><input type="checkbox"/> Economic Policy<br><input type="checkbox"/> Fiscal<br><input type="checkbox"/> FMS<br><input type="checkbox"/> Public Debt<br><br><input type="checkbox"/> Under Secretary for International Affairs<br><input type="checkbox"/> International Affairs | <input type="checkbox"/> Enforcement<br><input type="checkbox"/> ATF<br><input type="checkbox"/> Customs<br><input type="checkbox"/> FLETC<br><input type="checkbox"/> Secret Service<br><input type="checkbox"/> General Counsel<br><input type="checkbox"/> Inspector General<br><input type="checkbox"/> IRS<br><input type="checkbox"/> Legislative Affairs<br><input type="checkbox"/> Management<br><input type="checkbox"/> OCC | <input type="checkbox"/> Policy Management<br><input type="checkbox"/> Scheduling<br><input type="checkbox"/> Public Affairs/Liaison<br><input type="checkbox"/> Tax Policy<br><input type="checkbox"/> Treasurer<br><input type="checkbox"/> E & P<br><input type="checkbox"/> Mint<br><input type="checkbox"/> Savings Bonds<br><br><input type="checkbox"/> Other _____ |
|--|--|--|

NAME (Please Type)	INITIAL	DATE	OFFICE	TEL. NO.
<b>INITIATOR(S)</b>				
W. Scott Gould	<i>WSG</i>	<i>3/21/96</i>	DAS/Deptl. Fin. & Mgmt.	622-2400
<b>REVIEWERS</b>				
George Munoz	<i>GM</i>	<i>3/21/96</i>	Asst. Secy. for Mgmt. & CFO	622-0410
Ed Knight			General Counsel	622-0287

SPECIAL INSTRUCTIONS

# NLCP TRANSFER SHEET

Transfer from [box #, collection/series, folder title]:

Clinton Administration History Project; [History of the Department of the Treasury –  
Supplementary Documents] [OA 24125] [22]

---

Transferred to:

\_\_\_\_\_ : Audiovisual Collection

\_\_\_\_\_ : Book Collection

  X   : Museum Collection

\_\_\_\_\_ : Other—Specify

Media/Description: four packets of Circulating Coins of the Realm  
produced in 1999 and 2000 by the U.S. Mint

Transferred by J. Purvis

Date: January 24, 2005

New Location: \_\_\_\_\_

New Box Number: \_\_\_\_\_

**Coins of the Realm  
1999 & 2000  
Produced by the U.S. Mint**

Enclosed are all of the circulating coins of the realm produced in 1999 and 2000. Both years saw unprecedented change to America's coinage. In 1999, the Denver and Philadelphia Mints produced the first five quarters of the 10 year 50 States Commemorative Quarters Program, and produced a Susan B. Anthony Dollar (SBA) coin, the first SBA produced since 1981. In 2000, the Denver and Philadelphia Mints produced the next five quarters of the 50 States Quarter Program, and issued the new 2000 dated Golden Dollar coin.

