



United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on  
Treasury, Postal Service, and General  
Government, Committee on  
Appropriations, U.S. Senate

June 1988

## IRS' ADP BUDGET

# Funds for a Suspended Payroll Project Need Further Justification



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In December 1987, Treasury terminated its FEDSCPS contract with the contractor for several reasons, including increasing costs, the contractor's failure to meet milestone dates, and growth in the system requirements of Treasury and IRS. As of December 1987, FEDSCPS was still in the physical design stage and more than a year behind schedule. Faced with this delay, Treasury, in January 1988, decided to complete FEDSCPS' functional requirements without the contractor and to re-evaluate how it would develop and implement the new payroll system.

In view of the above-mentioned problems, Treasury organized a study team in January 1988 to evaluate and recommend alternatives for a new Treasury-wide payroll system. Headed by the Director, Office of Procurement, Treasury Department, the study team evaluated several options, including the continued development of FEDSCPS. In April 1988, the study team recommended that Treasury select the U.S. Department of Agriculture's Payroll and Personnel System. The study team stated that Agriculture's system would be less costly and had a higher probability of success than a restart of FEDSCPS.

Our discussions with Treasury officials in June 1988 indicate that the decision on whether to select Agriculture's Payroll and Personnel System is still pending. IRS is studying the system to determine the extent to which it satisfies IRS' requirements.

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## Observations and Considerations

IRS is requesting about \$10.5 million for the FEDSCPS project in fiscal year 1989. This includes staff to perform such tasks as testing, training of field personnel, converting data from the IRS payroll system to FEDSCPS, and cleaning up accounts after conversion. In addition, staff is being requested to perform pre-conversion adjustments and other functions not assumed by the new payroll system. IRS is also requesting these funds for hundreds of terminals and printers for its field offices. Considering the status of FEDSCPS' development and Treasury's pending decision to select Agriculture's payroll system, the Committee may wish to explore IRS' current justification for these funds.

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## Objective, Scope, and Methodology

Our objective was to research the status of FEDSCPS development and the reasons for Treasury's suspension of the project. We reviewed FEDSCPS project status reports, minutes of meetings, and interagency memoranda concerning Treasury's decision to suspend development and to consider options for an agencywide payroll system. We obtained information



United States  
 General Accounting Office  
 Washington, D.C. 20548

**Information Management and  
 Technology Division**

B-231232

June 15, 1988

The Honorable Dennis DeConcini  
 Chairman, Subcommittee on Treasury,  
 Postal Service, and General Government  
 Committee on Appropriations  
 United States Senate

Dear Mr. Chairman:

The purpose of this letter is to provide information to assist you in your evaluation of the Internal Revenue Service's (IRS) fiscal year 1989 budget request. As discussed with your office, we have questions about \$10.5 million relating to the suspended Department of the Treasury-wide Federal Standard Civilian Payroll System (FEDSCPS) in IRS' fiscal year 1989 budget request. You may wish to explore the current justification for these funds with IRS. This letter describes the suspension and current status of the FEDSCPS project.

**Background**

In June 1984, the design for the Army Civilian Payroll System was approved by Treasury as a baseline for developing FEDSCPS, the agency-wide payroll system.

In September 1985, Treasury contracted for the development of FEDSCPS. Because the system was to be hosted on a Sperry mainframe computer at IRS' Detroit Data Center, Treasury made IRS responsible for coordinating pilot testing, training, and converting to the new system. As part of these responsibilities, in July 1986, IRS established the FEDSCPS Project Team to: 1) ensure the timely and accurate conversion and implementation of FEDSCPS, 2) advise and assist Treasury and the contractor during FEDSCPS development, and 3) coordinate the development of an IRS accounting subsystem for FEDSCPS. The project's major milestones are shown in Table 1.

**Table 1: FEDSCPS Project Milestones**

<b>Milestones</b>	<b>Initial Completion Dates</b>
Project Initiation	July 1984
Logical Design	December 1985
Physical Design	November 1986
Pilot Testing	November 1987
Implementation	December 1988

Source: Internal Revenue Service



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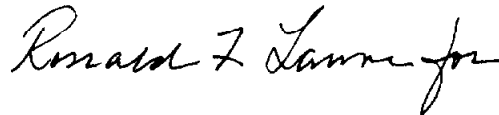
from discussions with the IRS National Office and Treasury officials charged with planning and executing FEDSCPS

Our work was conducted from April to June 1988 at the IRS Detroit Data Center and the IRS National Office in Washington, D.C. We performed our work in accordance with generally accepted government auditing standards.

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As arranged with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from its issue date.

Sincerely yours,



Ralph V. Carlone  
Director



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