



Highlights of [GAO-06-360](#), a report to congressional committees

## Why GAO Did This Study

The Internal Revenue Service's (IRS) Business Systems Modernization (BSM) program is a multibillion-dollar, high-risk, highly complex effort that involves the development and delivery of a number of modernized information systems intended to replace the agency's aging business and tax processing systems. As required by law, IRS submitted its fiscal year 2006 expenditure plan, in October 2005, to congressional appropriations committees, requesting \$199 million from the BSM account.

GAO's objectives in reviewing the plan were to (1) determine whether it satisfied the conditions specified in the law and (2) provide any other observations about the plan and IRS's BSM program.

## What GAO Recommends

GAO recommends that the Commissioner of Internal Revenue ensure that future expenditure plans submitted to the congressional appropriations subcommittees provide current and complete program status information and report any changes to prior commitments concerning the delivery of BSM project functionality. In providing comments on a draft of this report, the Commissioner agreed with GAO's findings and described the actions that IRS is taking to address GAO's recommendation.

[www.gao.gov/cgi-bin/getrpt?GAO-06-360](http://www.gao.gov/cgi-bin/getrpt?GAO-06-360).

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

# BUSINESS SYSTEMS MODERNIZATION

## Internal Revenue Service's Fiscal Year 2006 Expenditure Plan

### What GAO Found

IRS's fiscal year 2006 expenditure plan satisfies the conditions specified in the law. These conditions include meeting the Office of Management and Budget's capital planning and investment control review requirements and complying with federal systems acquisition requirements and management practices.

GAO's observations on the expenditure plan and BSM program include the following:

- During 2005, IRS made further progress in implementing BSM, but some projects did not meet short-term cost and schedule commitments. IRS deployed additional releases of several modernized systems, including the Customer Account Data Engine (the new taxpayer information database), e-Services (a new Web portal and electronic services for tax practitioners), and Modernized e-File (a new electronic filing system). While three project releases were delivered within the cost and/or schedule commitments presented in the fiscal year 2005 expenditure plan, others experienced cost increases or schedule delays.
- IRS has identified significant risks and issues that confront future planned system deliveries. The agency recognizes the potential impact of these project risks and issues on its ability to deliver planned functionality within cost and schedule estimates, and, to its credit, has developed mitigation strategies to address them.
- IRS has made additional progress in addressing high-priority BSM program improvement initiatives. Its program improvement process appears to be an effective means of assessing, prioritizing, and addressing BSM issues and challenges. However, much more work remains for IRS to fully address these issues and challenges.
- In response to GAO's prior recommendation, IRS is developing a new Modernization Vision and Strategy to address BSM program changes and provide a modernization roadmap. IRS expects to complete a high-level Vision and Strategy, as well as a more detailed 5-year plan for the modernization program, by mid-March 2006.
- The expenditure plan submitted to the Congress contains outdated program status information and omits key details concerning deferred BSM functionality. IRS's fiscal year 2006 plan is substantially based on information describing the status of BSM projects and program management initiatives as of April 2005, and, therefore, in key areas did not adequately describe progress or provide information consistent with the program's status at the time the plan was submitted to the Congress in October 2005. Without current and complete information, effective congressional oversight of BSM progress and accountability is impaired.