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

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MEMORANDUM FOR TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

FROM: Bert M. Conklin
Associate Commissioner for Business Systems Modernization

SUBJECT: Draft Audit Report – Progress in Developing the Customer Communications Project Has Been Made, But Risks to Timely Deployment in 2001 Still Exist

Thank you for the opportunity to respond to the above referenced draft audit report. The Customer Communications Project (CCP) is one of the first Business Systems Modernization projects to provide tangible benefits to taxpayers. CCP Release 2001 will deliver redesigned telephone systems that are used to receive, route and answer more that 150-million taxpayer telephone calls each year. This project will not only deliver direct benefits by increasing the number of calls that can be answered with available staff but will also be a critical foundation for subsequent projects that rely on communication with taxpayers.

In general, we agree with the report, *"Progress in Developing the Customer Communications Project has been Made, but Risks to Timely Deployment in 2001 Still Exist."* We appreciate your pointing out in the opening paragraph of your cover memorandum that the Service *"has shown significant progress in developing the Customer Communications Project (CCP) and in implementing project management capabilities."* We also agree with your identification of an area of accomplishment, i.e., *"Lessons Learned in Managing the Customer Communications Project Will Help the Delivery of Future Modernization Projects."*

We agree with some, but not all, of your recommendations. Our comments for each of the recommendations follow:

Recommendation 1:

To properly manage both the CCP and all other ongoing and future modernization projects, the Chief Information Officer (CIO) should:

Ensure that project managers timely complete all Enterprise Life Cycle (ELC) recommended work products and conduct necessary ELC reviews at the project level. The CIO should work with the Commissioner and other Internal Revenue Service (IRS) executives on the Core Business

Systems Executive Steering Committee to ensure that projects are not approved to exit ELC milestones unless all critical work products, such as the Security Documents and the Risk Management Plan have been completed.

While the IRS agrees with the need for, and does in fact conduct, all appropriate ELC reviews, we do not agree with the recommendation that all ELC recommended work products must be completed, **in their entirety,** before exiting an ELC milestone. To halt the progress of a modernization project until all work products and reviews have been completed would not allow for responsible and flexible program management and would cause unnecessary delays and possible cost increases. The IRS believes that conditional or qualified exit approvals allow projects to continue while minor changes are made to ELC deliverables. We do agree that "critical" required work products should be substantially complete prior to exiting a milestone. However, program management judgement should be exercised in this area.

Recommendation 2:

To ensure that the CCP and other ongoing and future projects have a reasonable opportunity to meet expectations, the CIO should:

Ensure project managers build sufficient reserves and recovery time into work schedules to allow for the impact of unplanned events or project delivery.

The IRS agrees with this recommendation. The need for time reserves should be determined initially by the PRIME project manager and submitted as part of the PRIME's milestone proposal. Proposing prudent time reserves is the responsibility of the PRIME and involves their professional judgement. The Service then reviews the proposed schedule to see that it contains realistic timeframes.

Recommendation 3:

To ensure the CCP and other ongoing and future projects meet full IRS security requirements, the CIO should:

Ensure project managers schedule adequate time to allow for security testing and certification before project deployment. Managers need to continue to work closely with the IRS' Office of Security and Privacy Oversight to develop and schedule the testing processes.

We agree with this recommendation and believe we have already implemented a corrective action. PRIME Project managers are already working closely with the IRS' Office of Security and Privacy Oversight (SPO). In the case of CCP 2001, PRIME and SPO met prior to the start of PRIME's Application Qualification Testing (AQT) to discuss several scheduling options and document the agreed upon testing schedules and requirements. It should also be understood that the three-month security process cited in the audit report is not an absolute; it is subject to negotiation with SPO.

Recommendation 4:

> *To effectively track and report project risks, as well as monitor risk reduction efforts, the CIO should ensure the PRIME and IRS managers complete the evaluation and implementation of the new risk tracking and reporting process.*

We agree with this recommendation and believe we have already implemented a corrective action. At the request of the IRS, PRIME implemented a bi-weekly Risk Forum chaired by the Associate Commissioner for Business Systems Modernization and a senior PRIME executive. At this Forum, all proposed risks and risk mitigation plans presented by the PRIME project managers and their BSMO executive counterparts are reviewed. This forum also approves risks and mitigation plans and monitors risks until fully mitigated. The implementation of this forum has improved significantly the quality, timeliness, and consistency of risk reporting. Of far greater importance, it has led to the timely identification and mitigation of risks.

Your team also cited the IRS' Integrated Tracking System as an inadequate tool for tracking and reporting project risks. As stated in our response to Recommendation 4, we believe we have overcome this barrier through the implementation of a biweekly Risk Forum.

I appreciate your recognition of significant progress in implementing project management capabilities in the CCP; that the lessons learned in the Customer Communications Project will help the delivery of future modernization projects; and, that the IRS will deploy most, if not all, of the project capabilities. We agree that there are risks to timely deployment of CCP functionality; however, the risks have been and will continue to be aggressively addressed.

CCP functionality is scheduled to complete deployment in June 2001. However, I want to note that CCP 2001 has already delivered tangible benefits for the 2001-filing season. Attachment II provides a brief summary of the benefits delivered by CCP for the 2001-filing season.

The Communications Project Release 2001 has served as the test bed to mature the systems development methodology, processes, and procedures for Business Systems Modernization projects. The knowledge we have gained has proven to be an indirect benefit of CCP Release 2001 and will be used to overcome obstacles that will arise in other projects that will require scheduling adjustments, such as organizational capacity, funding shortfalls, and the Service's own prioritization.

In addition, the direct benefits of CCP Release 2001 are significant to both the taxpayer and the IRS. These benefits are projected in the approved business case at 10 years, which is standard for projects with this scope. Over the 10-year span, there is no reason to believe that projected benefits will not be realized.

If you have any questions, please contact Tommy DeWeese, Deputy Associate Commissioner for Business Systems Modernization, at (202) 283-7863.

Attachments (2)

cc: National Director, Legislative Affairs Division
National Director, Communications Division

Attachment I

Business Systems Modernization Management Response

Draft Audit Report – Progress in Developing the Customer Communications Project (CCP) Has Been Made, But Risks to Timely Deployment in 2001 Still Exist (Audit No. 200020021)

I. Managers Did Not Timely Complete Recommended Work Products

Recommendation 1. To properly manage both the CCP and all other ongoing and future modernization projects, the Chief Information Officer (CIO) should:

Ensure that project managers timely complete all Enterprise Life Cycle (ELC) recommended work products and conduct necessary ELC reviews at the project level. The CIO should work with the Commissioner and other Internal Revenue Service (IRS) executives on the Core Business Systems Executive Steering Committee to ensure that projects are not approved to exit ELC milestones unless all critical work products, such as the Security Documents and the Risk Management Plan have been completed.

Corrective Action 1: The IRS does not agree with this recommendation.

Implementation Date: N/A

Responsible Official: N/A

II. Several Barriers Exist That May Impact the Delivery of Taxpayer Benefits in the 2001 Filing Season

Recommendation 2: To ensure that the CCP and other ongoing and future projects have a reasonable opportunity to meet expectations, the CIO should:

Ensure project managers build sufficient reserves and recovery time into work schedules to allow for the impact of unplanned events on project delivery.

Corrective Action 2: The IRS agrees with this recommendation.

Implementation Date: Ongoing

Responsible Official: Jim Williams, Deputy Associate Commissioner for Program Management

Recommendation 3. To ensure the CCP and other ongoing and future projects meet full IRS security requirements, the CIO should:

Ensure project managers schedule adequate time to allow for security testing and certification before project deployment. Managers need to continue to work closely with the IRS' Office of Security and Privacy Oversight to develop and schedule the testing processes.

Business Systems Modernization Management Response

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Corrective Action 3: This is already an established Enterprise Life Cycle (ELC) requirement. Business Systems Modernization projects must follow the ELC methodology that requires the completion of testing before exiting Milestone 4 and beginning deployment.

Implementation Date: January 3, 2001 (Completed)

Responsible Official: Steve Bayder, Acting Director, Tax Administration

Recommendation 4. To effectively track and report project risks, as well as monitor risk reduction efforts, the CIO should ensure the PRIME and IRS managers complete the evaluation and implementation of the new risk tracking and reporting process.

Corrective Action 4: The Business Systems Modernization Office (BSMO) requires the PRIME contractor to organize and manage a complete risk mitigation program for all risks associated with Business Systems Modernization

Implementation Date: November 14, 2000 (Completed)

Responsible Official: John Yost, Director, Planning and Control

Business Systems Modernization Management Response

Draft Audit Report – Progress in Developing the Customer Communications Project (CCP) Has Been Made, But Risks to Timely Deployment in 2001 Still Exist (Audit No. 200020021)

Summary of CCP Tangible Benefits for the 2001-Filing Season

- 25 Automated Call Distributors upgraded, including 1,949 copies of Aspect Custom View & Systems Management Server desktop software suites installed; benefits include centralized system management, centralized national call management, centralized management information system data capture and reporting, and enhanced telephony/systems capacity. 117 network printers and PCs & 3 Real-time Servers shipped, installed & operational; completed integration testing of Aspect products with Common Operating Environment & Integrated Case Processing in the NT environment.

- Optimization of Aspect ACD equipment completed at 3 locations (Atlanta, Fresno and Dallas). This has enhanced business functionality and overall efficiency, reducing our operations and maintenance expenses by consolidating Toll Free Service from 8 to 4 ACDs and eliminating the need for 2 Telecommunications Workload Management Systems (TCWMS), 2 Voice Recognition Units (VRUs) and additional call routing system components.

- Designed, developed, and successfully piloted the new remote maintenance security solution for the ACDs. This was a collaborative effort developed with the direct support from Telecommunications and Security Privacy Office. Telecommunications is deploying the solution nationwide.

- Improved call center infrastructure in 22 sites by upgrading network environment and deployed 3 Generations Voice Response Units in 3 sites with requisite hardware and software.

- Implemented expanded network prompting which allows up to 50% of all customers being redirected from the network to TeleTax (product line 1040) for automated refund assistance. Additionally, Network Prompt has added the 8815 and 4262 product lines and has extended service to Spanish language customers. This provided a major increase in capacity to process automated inquiries from taxpayers, which results in faster responses, and lower telecom costs for both existing and modernized applications.

- Implementation of the Jacksonville and Puerto Rico sites. This marked a significant event in that it introduced state of the art technology to these locations to support the existing business applications. It also enabled the business to expand the Spanish hot line which effectively increased and improved service to Spanish language customers.

- Upgraded the interactive processors in the 10 service centers and migrated the Telephone Routing Information System to the new SUN platform.

- Implemented Business Operation Division (BOD) routing for the Automated Collection System using two 800 numbers in conjunction with the Intelligent Call Management to improve the monitoring and centralization of the call center.

- Implemented BOD routing for the Wage and Investment and the Small Business and Self-Employed business locations based on services selected by the customer.

These changes provide the ability to handle additional calls through automation, which enables an assistor to handle more calls from taxpayers requesting customer assistance. In addition, the improvements to our telephone infrastructure and the changes to our scripts that will be implemented shortly will establish a foundation for taxpayer benefits that we will build on in the CCP 2002 project.