

**Additional Management Actions Are Needed to
Ensure the Timely and Successful Modernization
of the Tax Exempt and Government Entities
Division**

December 2000

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INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

December 21, 2000

MEMORANDUM FOR COMMISSIONER ROSSOTTI

A handwritten signature in cursive script that reads "Pamela J. Gardiner".

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report - Additional Management Actions Are Needed
to Ensure the Timely and Successful Modernization of the Tax
Exempt and Government Entities Division

This report presents the results of our review of the Tax Exempt and Government Entities Division (TE/GE) Modernization Efforts. In summary, we found that additional actions are needed to ensure the timely and successful implementation of the Tax Exempt and Government Entities Division modernization initiatives.

Our recommendations will increase assurances that TE/GE management has taken steps to successfully migrate the Employee Plans and Exempt Organizations structure to the new TE/GE Division. TE/GE Division Management agreed with each of the recommendations presented in the report. Management's comments have been incorporated into the report, and the full text of their comments is included as an appendix.

Copies of this report are being sent to the IRS managers who are affected by the report's recommendations. Please contact me at (202) 622-6510 if you have any questions, or your staff may call Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

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Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Executive Summary

The key component of the Internal Revenue Service's (IRS) modernization effort is the desire to provide quality service to its customers through more focused customer service and to enhance accessibility to IRS personnel and information. The Tax Exempt and Government Entities (TE/GE) Division is committed to providing customers top quality service and protecting the public interest by applying the tax laws with integrity and fairness to all. The TE/GE Division met its target start-up goal of December 1999 and is currently in the implementation phase of its modernization efforts.

The overall objective of this review was to assess the transition to and implementation of the new TE/GE Division business unit.

Results

The IRS has taken positive steps toward ensuring the successful migration to the new TE/GE Division. TE/GE Division management has established a budget and financial office to administer its budget, selected critical Division executives and filled key management positions; established delegations of authority to fulfill its mission; developed a communication plan to reach customers, stakeholders, and employees; implemented some "workarounds" to minimize disruptions to operations; and established performance measures for the TE/GE Division.

Nonetheless, additional actions are needed to minimize the inherent risks associated with such a major endeavor. Timely addressing these risks is critical to ensure the successful implementation of the TE/GE Division's modernization vision. To effectively manage the risks associated with the TE/GE Division modernization initiatives, management should:

- Empower a project manager with overall responsibility for the modernization of the TE/GE Division.
- Establish the necessary processes to better identify, evaluate, and report internal and external concerns relating to the modernization initiatives.
- Develop a process to better capture and monitor the status of workaround procedures.
- Develop an effective process for monitoring, transferring, and controlling work to the new organizational elements.
- Establish the necessary procedures and processes to better control the work performed by non-TE/GE Division functions.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Management Actions Are Needed to Establish Overall Responsibility That Will Ensure End-To-End Accountability for Managing Risks During the Modernization of the Division

The TE/GE Division did not incorporate the concept of a single executive or senior-level person with end-to-end accountability into its implementation governance structure to manage its modernization initiatives. Currently, the Commissioner, TE/GE Division, oversees all work associated with business and systems modernization while also being responsible for maximizing customer service in TE/GE Division core processes. This broad-based management approach presents a major challenge for this executive. The appointment of an executive or senior-level person to assist the Commissioner in managing the modernization activities should provide the TE/GE Division with a greater opportunity to achieve its modernization vision.

Additional Actions Are Needed to Enhance the Division’s Efforts to Monitor the Transition of Key Processes

The TE/GE Division has developed a communication plan to facilitate completion of its modernization initiatives. However, additional actions should be taken to better control, evaluate, and report internal and external stakeholder concerns and comments. TE/GE management would then be in a better position to readily identify and resolve critical issues facing transition from the old to the new organization. TE/GE Division executives advised us that several initiatives are underway to develop a permanent method to collect, evaluate, and report internal and external stakeholder concerns to appropriate TE/GE Division management officials.

Managerial Actions Are Needed to Ensure Workarounds Are Timely Developed

A “workaround” is a temporary solution to a problem that allows a new organization to be operational until a final solution can be developed and implemented. Workarounds are designed to ensure no disruption of operations and customer service and to facilitate the successful stand-up of the new organization. The TE/GE Division does not have an effective process to identify and monitor the status of workarounds. The inability to adequately capture and monitor workarounds may prevent the Division from effectively tracking its efforts to timely replace vital processes with permanent solutions. Workarounds that are not timely replaced with permanent solutions could result in work stoppage and prevent the TE/GE Division from achieving its modernization vision.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Additional Management Actions Are Needed When Transferring Work to the New Organizational Elements

Our review of TE/GE Division implementation plans to transfer the cases to the new organizational elements¹ showed that Division management needs to monitor the transfer of work and ensure that appropriate tests are conducted using the new Audit Information Management System (AIMS) organization codes. We did not identify any specific procedures to monitor the transfer of work to the new TE/GE Division organizational elements or plans to test the systemic updates to the AIMS prior to actual transfer of work to the new organizational elements. The development of an effective process for monitoring, transferring, and controlling cases to the new organizational elements would help ensure the timely transfer and processing of cases during the planned case transition period. Otherwise, cases may be inappropriately removed from the AIMS control system.

Increased Actions Are Needed by Management to Effectively Oversee the Work Performed by Non-Tax Exempt and Government Entities Division Functions

Now that it has become an independent entity within the IRS, the TE/GE Division must rely on other business units to assist its managers in meeting the modernization vision. Without establishing effective working relationships with these non-TE/GE Division functions, the new TE/GE Division could be at risk of not fully accomplishing its mission, goals, and objectives. Additionally, ensuring the establishment of end-to-end accountability through the effective use of formal agreements with other non-TE/GE business entities would enhance the TE/GE Division's ability to manage the support services provided by these organizations.

Summary of Recommendations

The Commissioner, TE/GE Division, should select a senior-level official as a project manager with the authority to manage and oversee modernization activities currently underway and planned. Also, the TE/GE Division Commissioner should establish an effective communication process to ensure that all internal and external stakeholder concerns and comments are properly captured and evaluated. Additionally, the Commissioner, TE/GE Division, should ensure that the Program Management function identifies and monitors the risks associated with TE/GE Division core processes that could result in disruptions to customer service. The Commissioner, TE/GE Division, should consider the establishment of organizational elements to plan, control, and oversee the work performed by non-TE/GE Division

¹ The TE/GE Division established six new areas to replace the four Key Districts that previously served its customers.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Functions and develop Service Level Agreements that will specify the services to be provided and the methodology to be used to monitor the quality of services.

Management's Response: IRS management agreed with the facts cited in the report and is taking the appropriate corrective actions. The TE/GE Division will establish a senior management official who will oversee future modernization activities and will establish ownership and oversight responsibility for addressing stakeholder concerns and comments. Also, the TE/GE Division will identify and monitor the risks associated with core processes that could result in disruptions to customer service and ensure that permanent solutions are in place and working as intended. Additionally, management will validate the transfer of casework from the old organizational structure to the new organizational structure. The TE/GE Division will establish the organizational elements to plan, control and oversee the work performed by the Collection function and enhance the service level agreement with the Information Systems (IS) organization. Management's complete comments are included in the body of the report, where appropriate and their complete response to the draft report is included as Appendix IV.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Objective and Scope

The overall objective of this review was to assess the transition to and implementation of the new TE/GE Division.

The overall objective of this review was to assess the transition to and implementation of the new Tax Exempt and Government Entities (TE/GE) Division. The Internal Revenue Service's (IRS) intended benefit for this initiative is to improve customer service to the taxpayer community through more efficient and responsive operations.

In accomplishing our objective, we:

- Assessed TE/GE Division management processes for monitoring risks associated with the transition to the new TE/GE Division.
- Evaluated TE/GE Division efforts to effectively transition and implement the new organization.

We evaluated various modernization design and implementation documents and conducted interviews with National Headquarters officials in the TE/GE Division, Small Business/Self Employed (SB/SE) Division, Collection function, and the Information Systems function (Strategic Planning and Client Services). We also conducted interviews with the Acting TE/GE Division Area Managers for the Northeast, Southeast, Mid-States, and Western Key District Offices. The audit was conducted between October 1999 and July 2000, in accordance with *Government Auditing Standards*.

Details of our audit objective, scope, and methodology are presented in Appendix I. Major contributors to this report are listed in Appendix II.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Background

The RRA 98 resulted in the IRS designing a new TE/GE Division built around specific groups of taxpayers with relatively similar needs.

The IRS Restructuring and Reform Act of 1998 (RRA 98)¹ resulted in the IRS designing a new TE/GE Division built around specific groups of taxpayers with relatively similar needs. The TE/GE Division is responsible for creating and executing business practices and strategies to meet customer needs relating to pension plans, exempt organizations, and governmental entities. The IRS' modernization efforts will make the TE/GE Division more responsive to taxpayer needs by assisting customers in understanding their tax requirements, improving compliance through customer-initiated programs, processing filings and payments accurately, and identifying and correcting non-compliance.

The key component of the IRS' modernization effort is the desire to provide quality service to its customers through more focused customer service and to enhance accessibility to IRS personnel and information. The overall goal of the TE/GE Division is to focus on providing timely top quality customer service. To accomplish this goal, the TE/GE Division has instituted a management structure to oversee the implementation of its modernization initiatives. A TE/GE Division Program Management team has been established to prioritize implementation initiatives, maintain oversight over workforce transition, and monitor risks associated with the initiatives.

To assist the TE/GE Division in meeting its modernization vision, working relationships were established with other IRS functions responsible for providing support to the new operating Division. These arrangements were made to assist TE/GE Division management in minimizing the risk of disruptions to ongoing operations and customer services during the transition.

¹ Pub. L No. 105-206, 112 Stat. 685.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Results

The IRS has taken positive steps toward ensuring the successful migration to the new TE/GE Division.

The IRS has taken positive steps towards ensuring the successful migration to the new TE/GE Division. TE/GE Division management is committed to providing customers top quality service and protecting the public by applying the tax laws with integrity and fairness to all. Specifically, TE/GE management has:

- Established a budget and financial office to administer its budget.
- Selected critical Division executives and filled key management positions.
- Established delegations of authority to fulfill its mission.
- Developed a communication plan to reach customers, stakeholders, and employees.
- Implemented some “workarounds” to minimize disruptions to operations.
- Established performance measures for the TE/GE Division.

While the TE/GE Division has made considerable progress, additional actions are needed to ensure the success of its modernization vision. Specifically, the TE/GE Division should:

- Empower a project manager with overall responsibility for the modernization of the TE/GE Division.
- Establish the necessary processes to better identify, evaluate, and report the criticality of all internal and external concerns relating to the modernization initiatives.
- Develop a process to better capture and monitor the status of workaround procedures.
- Develop an effective mechanism for monitoring, transferring, and controlling work to the new organizational elements.²

² The TE/GE Division established six new areas to replace the four Key Districts that previously served its customers.

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- Establish the necessary procedures and processes to better control the work performed by non-TE/GE Division functions.

Management Actions Are Needed to Establish Overall Responsibility That Will Ensure End-to-End Accountability for Managing Risks During the Modernization of the Division

The TE/GE Division has made considerable progress in the establishment of an implementation governance structure.

The TE/GE Division has made considerable progress in the establishment of an implementation governance structure to coordinate and track modernization initiatives. The structure consists of an Implementation Steering Committee (ISC) and an implementation Program Management team. The TE/GE Division Program Management team reports to the Commissioner, TE/GE Division, who also chairs the ISC.

The ISC and the Program Management team have different roles in managing and ensuring that implementation initiatives are successfully completed. The ISC approves major modernization work efforts and provides high-level guidance to modernization sub-teams. The ISC is tasked with providing guidance and leadership throughout the implementation of the new TE/GE Division. The ISC also approves the prioritization of implementation initiatives and addresses external and internal barriers to completion of modernization initiatives. The TE/GE Division Program Management team coordinates and tracks the progress of the modernization agenda and facilitates communication with the ISC and the IRS Program Management function for modernization.

Additional actions are needed to minimize the inherent risks associated with such a major endeavor.

Even though the TE/GE Division has made considerable progress in the establishment of an implementation governance structure to coordinate and track modernization initiatives, additional actions are needed to minimize the inherent risks associated with such a major endeavor. The TE/GE Division did not incorporate the concept of a single

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executive or senior-level person with end-to-end accountability into its implementation governance structure to manage its modernization initiatives. Decisions are made by the various design teams assigned to the modernization of the TE/GE Division, with final approval by the ISC.

While this practice is in line with the IRS' current methodology³ for managing its modernization efforts, the appointment of an executive or senior level person to assist the Commissioner in managing the modernization activities should provide the TE/GE Division with a greater opportunity to achieve its modernization vision. This designated project manager could assist executives in timely identifying issues that may jeopardize successful completion of TE/GE modernization initiatives. Also, TE/GE management would have greater assurance that problems resulting from scheduling and allocating scarce resources are timely and effectively resolved. Further, the establishment of end-to-end accountability for project management is a key process for assigning clear roles and responsibilities to key management personnel.

Currently, the Commissioner, TE/GE Division, oversees all of the work associated with business and systems modernization while also being responsible for maximizing customer service in TE/GE Division core processes. This broad-based management approach presents a major demand on the Division Commissioner's time and attention and could divert her from focusing on critical operations affecting customer service.

³ TE/GE Division mechanisms for managing modernization activities include Design and Program Management Teams who are responsible for coordinating their actions with IRS Program Management and other modernization teams.

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Recommendation

The Commissioner, TE/GE Division, should:

1. Select a senior-level management official as a project manager with the authority to manage and oversee modernization activities currently underway and planned.

Management's Response: The Commissioner, TE/GE Division, assigned the Director of Planning the authority and responsibility to manage and oversee current and future modernization activities.

Additional Actions Are Needed to Enhance the Division's Efforts to Monitor the Transition of Key Processes

Additional actions should be taken to better control, evaluate, and report internal and external stakeholder concerns and comments.

The TE/GE Division has developed a communication plan to facilitate completion of its modernization initiatives. However, additional actions should be taken to better control, evaluate, and report internal and external stakeholder concerns and comments. TE/GE management would then be in a better position to readily identify and resolve critical issues facing transition from the old to the new organization.

The Commissioner, TE/GE Division, has assigned leadership for executing the communication plan objectives to the Director, Communications and Liaison. In addition, task teams have been established on an "as needed" basis to realize and fine-tune the various communication tools. Although these actions have established the organizational structure to implement the plan objectives, sound management practices dictate that additional actions be taken to better control, evaluate, and report internal and external stakeholder concerns to appropriate TE/GE Division management officials.

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Our review of the Communication Plan showed that the methodology for informing internal and external stakeholders of the status of TE/GE Division modernization initiatives appears adequate. In addition, the Communication Plan reflected that comment boxes, question and answer sessions with the stakeholders, e-mail addresses, and hotlines will be the primary tools to identify stakeholder concerns and comments for modernization initiatives. Although these feedback systems are excellent communication tools, additional processes should be established for prioritizing and reporting to management the various stakeholder concerns and comments. Also, the planned methodology to record and evaluate feedback from internal and external stakeholders could be enhanced.

TE/GE Division management established a temporary database to capture stakeholder comments concerning its modernization efforts. The decision to capture stakeholder concerns and comments during the design phase provided the design teams with an important tool to monitor the initial impact of modernization initiatives. Nevertheless, we identified several issues that TE/GE Division management should consider when designing permanent processes for controlling stakeholder concerns and comments. Specifically, the process should:

- Establish end-to-end accountability to resolve stakeholder concerns and comments.
- Develop clear procedures regarding the processing of stakeholder concerns and comments.
- Provide an effective tool to manage stakeholder concerns and comments.
- Establish an effective process to evaluate the criticality of stakeholder concerns and comments.

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An effective process to capture internal and external stakeholder concerns and comments would enhance TE/GE Division management's ability to oversee the modernization initiatives.

An effective process to capture internal and external stakeholder concerns and comments would enhance TE/GE Division management's ability to oversee the modernization initiatives. Also, management will be in a better position to readily identify and resolve critical issues facing transition from the old to the new organization. We were advised by TE/GE executive management that several initiatives are underway to develop a permanent method to collect, evaluate, and report internal and external stakeholder concerns and comments. For example, the TE/GE Division and the National Treasury Employees Union National Partnering Council are committed to promoting effective two-way communication. Part of the Council's strategy for promoting effective two-way communication is the establishment of a mechanism for receiving employee comments and concerns and responding to stakeholder feedback timely and effectively.

Recommendations

The Commissioner, TE/GE Division, should:

2. Establish ownership and oversight responsibility for addressing stakeholder concerns and comments with one TE/GE Division senior management official.
3. Establish the necessary methodology to ensure that all internal and external stakeholder concerns and comments are properly captured and evaluated. The methodology selected should ensure that those critical issues adversely affecting the Division are timely identified and reported to appropriate TE/GE Division management officials.

Management's Response: The TE/GE Division has five distinct groups of customers, and the Commissioner, TE/GE has assigned responsibility for addressing the concerns and comments of each group to a specific officer. The Directors, Customer Education and Outreach, for Employee Plans

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(EP) and for Exempt Organizations (EO) have responsibility for EP and EO customers, respectively. The Managers, Outreach Planning and Review, for Federal, State and Local Governments (FSL), for Indian Tribal Governments (ITG), and for Tax Exempt Bonds (TEB) have responsibility for Government Entities (GE) customers.

The TE/GE Division has a number of initiatives in place to enhance its ability to receive and evaluate stakeholder concerns and suggestions. The Tax Exempt Advisory Committee, will consist of 20 external customers (6 each from EP, EO, and GE, and 2 members with overlapping expertise) who will raise issues, concerns, and suggestions to the Commissioner and Directors and provide insight as to appropriate recommendations for action. The TE/GE Division has created pilot teams to analyze the results of customer satisfaction surveys and suggest appropriate action on customer concerns.

Managerial Actions Are Needed to Ensure Workarounds Are Timely Developed

A “workaround” is a temporary solution to a problem that allows a new organization to be operational until a final solution can be developed and implemented. Workarounds are designed to ensure no disruption of operations and customer service and to facilitate the successful stand-up of the new organization.

The TE/GE Division does not have an effective process to identify and monitor the status of workarounds.

The TE/GE Division does not have an effective process to identify and monitor the status of workarounds. The inability to adequately capture and monitor workarounds may prevent the Division from effectively tracking its efforts to timely replace workarounds with permanent solutions. Workarounds that are not timely replaced with permanent solutions could result in work stoppage and prevent the TE/GE Division from achieving its modernization vision.

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The TE/GE Division Phase III Refined Program Management Plan specifies that the TE/GE Division Program Management function will identify and assess the risks to timely completion of the modernization initiatives. The TE/GE Division modernization design plans reflected 66 workarounds necessary to implement the new TE/GE Division. Our review of these workarounds identified 17 with the potential to create work stoppages if the workarounds are not timely replaced with permanent solutions or become ineffective during the transition to the new organization. TE/GE management stated that the Directors, not the Program Management function, will be responsible for ensuring that the workarounds are effective and will be replaced with timely permanent solutions. However, we believe the Program Management function should monitor the process for replacing workarounds with permanent solutions because they are currently responsible for assessing and reporting the risks associated with TE/GE Division modernization efforts.

Of the 66 workarounds in the TE/GE Division modernization design documents, 36 (55 percent) did not have a permanent solution date. It will be difficult for TE/GE management to effectively monitor solutions to these workarounds without approved completion dates.

For example, the dates for solutions to workarounds necessary for the implementation of the Customer Account Services (CAS) function had not been determined at the time of our review. None of the 23 CAS workarounds were given a date when a final solution would be implemented. Without the establishment of solution dates, there is the risk that the CAS support function will be unable to timely address such critical workaround issues as training needs for customer service representatives, benchmarks to guide staffing, or resources available for facilities and telecommunication needs.

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In addition, the TE/GE Division has not established a final solution date for a workaround for identifying FSL entities. If the FSL customers are not timely identified, the TE/GE Division may be unable to identify its customer base for the GE function and, as a result, customer service may suffer.

The TE/GE Division Program Management function is responsible for identifying and assessing the risks to the timely completion of the modernization initiatives throughout Phase III Implementation, which ends in December 2000. However, our analysis of the 66 workarounds showed that 12 (18 percent) workaround solutions were scheduled to be implemented after December 2000. One of the workarounds relates to developing consistent training programs for those employees who examine taxpayer accounts. Another workaround involves modifying and updating existing training to include outside materials and services, including the use of Chief Counsel personnel. Because permanent solutions must be timely developed for these workarounds, the TE/GE Division Program Management function should continue to monitor the 12 workaround solutions beyond the December 2000 time period.

The inability to effectively monitor workarounds to ensure permanent solutions are timely developed may affect the TE/GE Division's efforts to successfully achieve its modernization goals to improve customer service.

The inability to effectively monitor workarounds to ensure permanent solutions are timely developed may affect the TE/GE Division's efforts to successfully achieve its modernization goals to improve customer service. Therefore, TE/GE Division management should ensure that all workarounds are effectively tracked and monitored by the TE/GE Division Program Management function.

Recommendation

The Commissioner, TE/GE Division, should:

4. Ensure that the Program Management function identifies and monitors the risks associated with TE/GE Division core processes that could result in disruptions to

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customer service. Also, Program Management should closely monitor all other TE/GE Division workaround processes to ensure that permanent solutions are in place and working as intended.

Management's Response: The TE/GE Division will analyze the workarounds that remain incomplete after December 31, 2000, and will identify those workarounds that present a risk of disruption of customer service. The Directors are responsible for implementing the permanent solutions that will replace the workarounds. The Commissioner and Deputy Commissioner will monitor the progress of implementing permanent solutions to the workarounds at regular operational reviews with the Directors. The TE/GE Division is developing a comprehensive tracking system, and will add incomplete critical workarounds to this system when it is operational.

Additional Management Actions Are Needed When Transferring Work to the New Organizational Elements

Our review of TE/GE Division implementation plans to transfer the cases to the new organizational elements showed that Division management needs to monitor the transfer of work and ensure that appropriate tests are conducted using the new Audit Information Management System (AIMS)⁴ organization codes. We did not identify any specific procedures to monitor the transfer of work to the new TE/GE Division organizational elements or plans to test the systemic updates to the AIMS prior to actual transfer of work to the new organizational elements. The development of an effective process for monitoring, transferring, and

⁴ The AIMS is an inventory control system used by the TE/GE Division to control taxpayer accounts that are being examined by the TE/GE Division.

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The requirement to transfer control of examination cases to the new organizational elements has resulted in additional risks that some cases may not be successfully controlled using the new organizational codes planned for the AIMS.

controlling cases to the new organizational elements would help ensure the timely transfer and processing of cases during the planned case transition period. Otherwise, cases may be inappropriately removed from the AIMS control system.

The requirement to transfer the control of examination cases to the new organizational elements has resulted in additional risks that some cases may not be successfully controlled using the new AIMS organizational codes. Although actions are currently underway to transfer cases to the new organizational elements and to validate the transfer actions using inventory control records, the modernization design for the systemic conversion of all TE/GE work is not scheduled to be completed until the end of 2000.

Our review of TE/GE Division Implementation plans to move cases to the new organizational elements showed that TE/GE Division Program Management needs to monitor the transfer of work and ensure that appropriate tests are conducted using the new AIMS organization codes. For example, there were limited initiatives to monitor the transition of work to the new TE/GE Division organizational elements. Through discussions with TE/GE Division field managers, we learned that updated procedures were not developed to ensure cases would be properly transferred to the new organizational elements.

Although the TE/GE Division implementation planning documents suggest that line managers use development, testing, and refinement teams to bring transformation initiatives to the implementation-ready stage, we did not identify any plans to conduct a pilot test to determine the feasibility of using the reprogrammed AIMS codes. The role of testing and refinement teams is to refine the design of processes using pilots and other pre-implementation tools. The testing tools were suggested to facilitate the development of complex or high-risk transformation initiatives.

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Even though several workarounds indicate that procedures are in place to ensure that examination cases will be transferred to the new organizational elements and properly closed, our discussions with TE/GE Division officials showed that existing procedures had not been updated. The assignment of new group organization codes poses unique problems that warrant the development of revised procedures for transferring work to new organizational elements.

Additional interviews with TE/GE Division management also confirmed that adequate procedures are not in place for processing case transfers. TE/GE Division management stated that old procedures for transferring cases had not been changed since initiation of the reorganization. Further, a workaround procedure, established at the start-up of the new TE/GE Division, would continue to use current AIMS codes until the cases are moved to the new geographic area structure. This workaround procedure did not appear to address the critical need to timely update and test the AIMS control system prior to the actual transfer of work to the new organizational elements.

Although uniform procedures for the transfer of work to the new organizational elements were not identified, a memorandum dated April 13, 2000, from the TE/GE Division Director, Business Systems, to the Area Managers outlines the actions necessary to move AIMS case inventories to the new TE/GE Division area office and service center structure. This memorandum provides an example of cases that could become inaccessible because of the AIMS conversion. The procedures require that all cases in AIMS organization code⁵ 73XX be updated to organization code 71XX between April 22, 2000, and May

⁵ AIMS organization codes describe the field office that has responsibility for working the examination of the organization. The four digits correspond to the unique identifiers assigned to the office.

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17, 2000. If 73XX cases have not been updated prior to the conversion, they will be removed from the AIMS database and will not be accessible. Because the AIMS is used to monitor the assessment statute expiration date, cases that are inappropriately removed from the AIMS could result in lost revenue to the IRS. Although the memorandum identifies one type of AIMS conversion that could result in cases being removed or not accessible, there is a significant risk of other cases being lost during the transition if the transfer actions are not closely monitored.

Another issue identified in the above memorandum concerns Employee Plan cases assigned to groups in New Jersey and Pennsylvania that must be manually transferred to the AIMS database at the Philadelphia Service Center. Exempt Organization cases assigned to groups in the Michigan, Ohio, and Colorado offices must be manually transferred to the AIMS database at the Austin Service Center. This process will take 2 to 4 weeks. Because AIMS files are associated with the jurisdiction of the service centers, additional Examination groups in other locations may experience problems in updating cases using the new organization codes or in receiving management reports used to monitor the statute period for examination of taxpayer records.

The development of an effective mechanism for monitoring, transferring, and controlling cases to the new organizational elements could minimize the risks of transferring cases during the transition period.

The above described document from the Director, Business Systems Planning, serves an important purpose by providing Area Managers with several potential risks associated with case transfers using the AIMS. However, this document should not replace the need to establish formal operating procedures to assist managers during the transfer of work to the new organizational elements. The development of an effective process for monitoring, transferring, and controlling cases to the new organizational elements would help ensure the timely transfer and processing of cases during the planned case transition period. Otherwise, cases may be inappropriately removed from the AIMS control system.

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Recommendations

The Commissioner, TE/GE Division, should:

5. Implement the planned actions to test the feasibility of reprogrammed codes used to control the inventory of cases in the new organizational elements.
6. Ensure that revised procedures for the transfer of work to the new organizational elements are fully developed and applied by the field managers.

Management's Response: TE/GE management elected not to test the reprogramming codes that were used initially to reassign cases because they are currently verifying the accuracy of the reassignment. Managers are following the procedures in section 7.3.2 of the Internal Revenue Manual to conduct the inventory validation.

The TE/GE Division initially completed the transfer of casework from the old organizational structure by changing the computer codes that indicate the group to which a case is assigned. The TE/GE Division is conducting a manual inventory validation to insure all cases were properly transferred, no cases were lost in the process, and the location of all cases is known and properly recorded. The inventory validation process requires managers to manually confirm that each case shown on AIMS as assigned to his or her group is physically located within the group. The inventory validation process is an iterative process; it is repeated as many times as necessary until inventory lists are accurate.

Office of Audit Comments: Although management will not directly test the feasibility of reprogrammed codes used to control the inventory of cases, management responded that an inventory validation of work will be conducted to verify the accuracy of cases transferred to new group locations. While performing this validation process, management will

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

be able to confirm the effectiveness and accuracy of reprogramming codes used during this transfer of cases.

Increased Actions Are Needed by Management to Effectively Oversee the Work Performed by Non-Tax Exempt and Government Entities Division Functions

Without establishing effective working relationships with non-TE/GE Division functions, the new TE/GE Division could be at risk of not accomplishing its mission, goals and objectives.

The TE/GE Division stood up as an independent entity on December 6, 1999. As a result of becoming an independent entity within the IRS, the TE/GE Division must now rely on other business units to assist its managers in meeting the modernization vision, such as the SB/SE Division for tax collection support and the Strategic Planning and Client Services Organization for information systems (IS) support. Without establishing effective working relationships with these non-TE/GE Division functions, the new TE/GE Division could be at risk of not accomplishing its mission, goals, and objectives.

As reflected in the TE/GE Division organization design documents, a key success factor to the TE/GE Division achieving its objective of providing top quality customer service is the implementation of the concept of end-to-end accountability at all levels of the organization. This includes clear roles and responsibilities for work performed and control over resources devoted to critical processes. Ensuring the establishment of end-to-end accountability through the effective use of formal agreements, such as Memoranda of Understanding (MOU) or Service Level Agreements (SLA) with other non-TE/GE business units could enhance TE/GE Division efforts to manage the support services provided by these organizations. The use of formal agreements that clearly document the work to be performed by non-TE/GE organizations could minimize the risk of work stoppages and enhance TE/GE Division's ability to deliver quality service to customers. More specifically, formal

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

agreements establish accountability to ensure sufficient services are performed by outside organizations.

Our review of TE/GE Division modernization initiatives showed that no organizational elements have been established to coordinate TE/GE Division collection services. Also, we found no indications that a formal agreement had been negotiated with the Collection function. In addition, the agreement with the IS organization could be enhanced to ensure TE/GE Division expectations are met. TE/GE Division executives advised us that plans are underway to develop a formal working relationship with the IS organization and they would consider the need to establish a similar working relationship with the Collection function.

The Collection function is centralized under the SB/SE Division and will be responsible for providing outside collection support to the TE/GE Division. During meetings with Collection management, we were advised that TE/GE Division officials have not contacted them regarding specific service requirements. Collection management indicated it is important that TE/GE Division management identify the work to be performed and the methodology for providing the collection resources. TE/GE management should establish a formal relationship with the Collection function to ensure the new TE/GE Division receives appropriate services to meet mission goals.

Lastly, there are also numerous IS support services that will be required by the TE/GE Division. The support services include assistance for new systems development, system enhancement and maintenance, hardware and software procurement, and training of TE/GE Division employees and managers.

We concur with TE/GE Division efforts to develop a new Business Systems unit that will coordinate the support work provided by the IS organization. The TE/GE Division Director, Business Systems, will be responsible for coordinating the resources provided by the IS organization,

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

developing a detailed SLA with IS, monitoring accomplishments, and overseeing the contractual relationship with IS to ensure resources and services are received. Also, the TE/GE Division has created a business systems planning team. Two initiatives include translating business needs into system design concepts and interfacing with IS on modernization-related system initiatives. The team will also coordinate with IS to ensure the timely implementation of TE/GE Division business requirements. Further, the TE/GE Division has developed a SLA with IS to transfer TE/GE Division resources to IS. The objective of the agreement was to enhance IS' ability to provide timely and quality service using resources that have corporate knowledge of TE/GE Division processes.

Although a Director for Business Systems has been established and several initiatives have been identified by the design teams, additional actions should be taken to develop an effective working relationship with the IS organization. For example, the SLA with the IS organization could be enhanced to better control the support work provided by the IS organization. The SLA does not:

- Include adequate controls to ensure the TE/GE Division receives sufficient support from the IS organization.
- Include procedures for resolving concerns involving non-performance.

The inclusion of these types of requirements in the SLA would help to ensure timely, quality service from the IS organization.

The inclusion of these types of requirements in the SLA would help to ensure timely, quality service from the IS organization.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Recommendations

We recommend that the Commissioner, TE/GE Division:

7. Consider the establishment of organizational elements to plan, control, and oversee the work performed by the Collection function, and develop SLAs with this function that will specify the services to be provided and the methodology to be used to monitor the quality of services provided.
8. Enhance the SLA with the IS organization to ensure the TE/GE Division receives sufficient support from the IS organization and establish a practice to resolve issues related to non-performance.

Management's Response: The TE/GE and Small Business and Self Employed Divisions concluded a Memorandum of Understanding under which SB/SE agreed to provide collection services for TE/GE. When TE/GE next negotiates extensions or enhancements to the existing Service Level Agreement with IS, TE/GE will seek provisions ensuring that IS provides sufficient support to TE/GE and establishes a process to resolve issues related to non-performance.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Conclusion

The TE/GE Division has taken a number of positive steps towards ensuring the successful migration to the new Division structure. TE/GE Division management has established a budget and financial office to administer its budget, selected critical TE/GE Division executives and filled key management positions; established delegations of authority to fulfill its mission; developed a communication plan to reach customers, stakeholders and employees; implemented some workarounds to minimize disruptions to operations; and established performance measures for the TE/GE Division.

However, additional actions are needed to ensure the success of the TE/GE Division's modernization efforts. Specifically, the TE/GE Division should:

- Empower a project manager with overall responsibility for the modernization of the TE/GE Division.
- Establish the necessary processes to better identify, evaluate, and report the criticality of all internal and external stakeholder concerns relating to the modernization initiatives.
- Develop a process to better capture and monitor the status of workaround procedures.
- Develop an effective mechanism for monitoring, transferring, and controlling work to the new organizational elements.
- Establish the necessary procedures and processes to better control the work performed by non-TE/GE Division functions.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to assess the transition to and implementation of the new Tax Exempt and Government Entities (TE/GE) Division. To accomplish our overall objective, we:

- I. Assessed TE/GE Division management processes for monitoring risks associated with the transition to the new TE/GE Division. Specifically, we:
 - A. Discussed and evaluated the oversight process with the Commissioner, TE/GE Division, Transition Team Leaders, and TE/GE Division Program Management staff to determine if accountability for the delivery of the new Division had been established. We also evaluated TE/GE Division efforts to control work performed by non-TE/GE Division organizations.
 - B. Reviewed documentation from biweekly status meetings between the TE/GE Division Design Team and the TE/GE Division Program Management staff to evaluate the oversight provided by Program Management and to identify any possible problems with the implementation of the Division.
 - C. Reviewed documentation from meetings between the TE/GE Division Program Management staff and the TE/GE Executive Steering Committee to identify executive-level oversight of modernization initiatives.
 - D. Identified and evaluated the performance measures established for the new Division to determine if they will provide the TE/GE Division management adequate data to measure program performance.
 - E. Identified any slippage in meeting due dates of deliverables and determined the reasons for the slippage. Also, we determined what actions TE/GE executive management took to mitigate the slippage.
 - F. Identified and evaluated plans to transfer accountability for implementation of the new operating Division from the TE/GE Design Team to the new TE/GE Division on December 1999.
- II. Evaluated TE/GE Division efforts to effectively transition and implement the new organization. Specifically, we:

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

- A. Evaluated the TE/GE Division Design Plans to determine if the proposed structure of the new operating Division is based on sound business principles.
- B. Analyzed the Final TE/GE Division Design Blueprint and other functional design blueprints to identify any unaddressed interdependencies, e.g. procurement activities, personnel services, equipment needs, cross-functional enforcement actions, information systems needs, etc.
- C. Reviewed the TE/GE Division Implementation Plan to determine if detailed action plans had been developed and if these action plans presented realistic goals and completion dates.
- D. Determined if contingency plans had been developed in the event the new TE/GE Division can not be implemented timely.
- E. Evaluated any “workaround” procedures developed to ensure work stoppages or disruptions to product delivery do not occur during the implementation of the new operating Division.
- F. Evaluated the proposed staffing needs for the new TE/GE Division to determine whether adequate staffing levels, position descriptions, etc., had been fully developed.
- G. Evaluated the proposed training program to determine if it addressed the needs of the new TE/GE Division.
- H. Evaluated data security plans to protect against unauthorized disclosure of taxpayer data during the implementation of the new Division.
- I. Evaluated how TE/GE Division management will ensure that current and new business systems modernization projects address the TE/GE Division’s organizational needs.
- J. Evaluated the implementation of the new TE/GE Division’s Headquarters functions (Human Resources, Communication and Liaison, Business Systems, etc.) to determine any impact the delayed delivery of these functions may have on the effective operation of the new TE/GE Division.
- K. Evaluated the processes used by the TE/GE Division modernization design teams to address concerns identified by those field functions responsible for processing Employee Plans and Exempt Organization cases.

**Additional Management Actions Are Needed to Ensure the Timely and
Successful Modernization of the Tax Exempt and Government Entities
Division**

Appendix II

Major Contributors to This Report

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Joseph Edwards, Director

Michael Levi, Audit Manager

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Greg Holderman, Auditor

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**Additional Management Actions Are Needed to Ensure the Timely and
Successful Modernization of the Tax Exempt and Government Entities
Division**

Appendix III

Report Distribution List

Commissioner, Tax Exempt and Government Entities Division T
Deputy Commissioner, Tax Exempt and Government Entities Division T
Chief Counsel CC
Director, Employee Plans T:EP
Director, Employee Plans Rulings and Agreements T:EP:RA
Director, Exempt Organizations T:EO
Director, Exempt Organizations Rulings and Agreements T:EO:RA
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O
Manager EP Determinations T:EP:RA:D
Manager EO Determinations T:EO:RA:D
National Taxpayer Advocate TA
Office of Management Controls N:CFO:F:M
Audit Liaison, Tax Exempt and Government Entities Division T

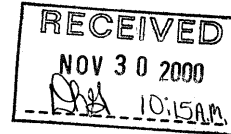
Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Appendix IV

Management's Response to the Draft Report



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



NOV 28 2000

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Evelyn A. Petschek, Commissioner
Tax Exempt and Government Entities Division

SUBJECT: Response to Draft Audit Report – Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

Thank you for the opportunity to respond to your draft report, "Additional Management Actions Are Needed To Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division."

As the first operating division within the reorganized IRS to stand up, TE/GE has pioneered solutions to a number of organizational and administrative problems inherent in transitioning to a new organization. At the same time, TE/GE has continued to provide the services its customers expect and rely upon. We appreciate your observation that the IRS has taken steps to successfully migrate the old Employee Plans and Exempt Organizations structure to the new TE/GE Division, and your insights into areas where TE/GE should direct further attention. While we have accomplished much, the creation of TE/GE is still a work in progress, and we are pleased to have the benefit of your recommendations as the reorganization moves into its final stages. We also appreciate your comments for the guidance they provide to the IRS's other new operating divisions as they stand up and begin operations.

Our comments on the recommendations in the report are as follows:

IDENTITY OF RECOMMENDATION # 1

Select a senior-level management official as a project manager with the authority to manage and oversee modernization activities currently underway and planned.

ASSESSMENT OF CAUSE(S)

At this stage in TE/GE's modernization, the Commissioner, TE/GE can turn more of her attention to directing and managing TE/GE on an ongoing basis, and can assign responsibility for day-to-day monitoring and implementation of the modernization plan to a senior management official.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

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CORRECTIVE ACTIONS

In September 2000, the Commissioner, TE/GE assigned to the Director of Planning, a senior management official within TE/GE, the authority and responsibility to manage and oversee current and future modernization activities.

IMPLEMENTATION DATE

This corrective action is completed.

RESPONSIBLE OFFICIAL(S)

TE/GE Director of Planning

CORRECTIVE ACTION(S) MONITORING PLAN

This corrective action is completed. No monitoring plan is required.

IDENTITY OF RECOMMENDATIONS #2 AND #3

Establish ownership and oversight responsibility for addressing stakeholder concerns and comments with one TE/GE Division senior management official.

Establish the necessary methodology to ensure that all internal and external stakeholder concerns and comments are properly captured and evaluated. The methodology selected should ensure that those critical issues adversely affecting the Division are timely identified and reported to appropriate TE/GE Division management officials.

ASSESSMENT OF CAUSES(S)

TIGTA has recognized that TE/GE has excellent mechanisms in place to collect comments and observations from customers. TE/GE and its customers would benefit if we established clear processes to evaluate customer ideas and priorities for implementing good ideas.

CORRECTIVE ACTIONS

TE/GE has five distinct groups of customers, and the Commissioner, TE/GE has assigned responsibility for addressing the concerns and comments of each group to a specific officer. The Directors, Customer Education and Outreach, for Employee Plans (EP) and for Exempt Organizations (EO) have responsibility for EP and EO customers, respectively. The Managers, Outreach Planning and Review, for Federal State and Local Governments (FSL), for Indian Tribal Governments (ITG), and for Tax Exempt Bonds (TEB) have responsibility for Government Entities (GE) customers.

TE/GE has a number of initiatives in place to enhance our ability to receive and evaluate stakeholder concerns and suggestions. For example, we are forming the Tax Exempt Advisory Committee (TEAC), which will have its first meeting during the first half of FY 2001. The TEAC will consist of 20 external customers (6 each from EP, EO, and

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

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GE, and 2 members with overlapping expertise) who will raise issues, concerns, and suggestions to the Commissioner and TE/GE Directors and provide insight as to appropriate recommendations for action. In addition, TE/GE has created pilot teams to analyze the results of customer satisfaction surveys and suggest appropriate action on customer concerns. Acting on pilot team recommendations, we are publishing a toll-free customer service telephone number in the instructions to the Form 5500; creating detailed check-sheets to aid determination letter applicants; introducing easily readable sets of acknowledgement letters; posting information about the determination letter program (with links to the relevant determination letter forms) on the TE/GE web-site; and introducing a letter to inform determination letter applicants when and to whom their case is assigned. We believe that such individualized approaches to collecting and acting upon customer concerns best serves the needs of our diverse customers.

IMPLEMENTATION DATE

TE/GE has initiated all the corrective actions described above. Each of the activities is ongoing and TE/GE will carry them out continuously.

RESPONSIBLE OFFICIAL(S)

Directors, Customer Education and Outreach, EP and EO
Managers, Outreach Planning and Review, FSL, ITG and TEB
TE/GE Director, Communications and Liaison

CORRECTIVE ACTION MONITORING PLAN

The corrective action is completed. No monitoring plan is required.

IDENTITY OF RECOMMENDATION #4

Ensure that the Program Management function identifies and monitors the risks associated with TE/GE Division core processes that could result in disruptions to customer service. Also, Program Management should closely monitor all other TE/GE Division workaround processes to ensure that permanent solutions are in place and working as intended.

ASSESSMENT OF CAUSE(S)

This recommendation concerns the identification and management of workarounds (a temporary solution to a problem that allows a new organization to operate while a permanent solution to the problem is developed and implemented). A number of workarounds established during the TE/GE transition process are still in place and we have not yet developed permanent solutions to them. We do not have a formal process to monitor the status of incomplete workarounds.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

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CORRECTIVE ACTIONS

TE/GE will analyze the workarounds that remain incomplete after December 31, 2000, and will identify those workarounds that present a risk of disruption of customer service. TE/GE Directors are responsible for implementing the permanent solutions that will replace the workarounds. The Commissioner and Deputy Commissioner, TE/GE will monitor the progress of implementing permanent solutions to the workarounds at regular operational reviews with the TE/GE Directors. TE/GE is developing a comprehensive Division-wide initiative tracking system, and will add incomplete critical workarounds to this system when it is operational.

IMPLEMENTATION DATE

September 30, 2001

RESPONSIBLE OFFICIAL(S)

TE/GE Directors (implementation of permanent solutions to workarounds)
TE/GE Director of Planning (development of initiative tracking system)

CORRECTIVE ACTION(S) MONITORING PLAN

The TE/GE Directors will report on the status of workarounds at regularly scheduled operational reviews with the Commissioner, TE/GE.

The Director of Planning will report to the Commissioner, TE/GE on the addition of incomplete workarounds to the TE/GE initiative tracking system.

IDENTITY OF RECOMMENDATIONS #5 AND #6

Implement the planned actions to test the feasibility of reprogrammed codes used to control the inventory of cases [on the Audit Information Management System (AIMS)] in the new organizational elements.

Ensure that revised procedures for the transfer of work to the new organizational elements are fully developed and applied by the field managers.

ASSESSMENT OF CAUSE(S)

These recommendations concern the reassignment of casework from groups in TE/GE's old organizational structure to groups in its new organizational structure. TE/GE accomplished the initial stage of this transfer by making changes to the Audit Information Management System (AIMS), a computer program used to control TE/GE case inventory, but did not formally test the software changes before using AIMS to conduct the transfer. To prevent lost cases during the transition, we need to monitor the transfer and carefully check group inventory lists.

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CORRECTIVE ACTIONS

TE/GE initially completed the transfer of casework from the old organizational structure to the new organizational structure by changing the computer codes that indicate the group to which a case is assigned. TE/GE now is conducting a manual inventory validation to insure all cases were properly transferred, no cases were lost in the process, and the location of all cases is known and properly recorded. The inventory validation process requires managers to manually confirm that each case shown on AIMS as assigned to his or her group is, in fact, physically located within his or her group. The inventory validation process is an iterative process; it is repeated as many times as necessary until inventory lists are accurate.

At this point, we do not need to test the reprogramming codes that we used initially to reassign cases because we are verifying the accuracy of the reassignment. TE/GE managers are following the procedures in section 7.3.2 of the Internal Revenue Manual to conduct the inventory validation.

IMPLEMENTATION DATE(S)

March 31, 2001

RESPONSIBLE OFFICIAL(S)

Directors, EP Examination and EO Examination

CORRECTIVE ACTION(S) MONITORING PLAN

Directors, EP Examination and EO Examination, will report to the Directors, EP and EO, respectively, on the completion of the inventory validation process within their areas.

IDENTITY OF RECOMMENDATIONS #7 AND #8

Consider the establishment of organizational elements to plan, control, and oversee the work performed by the Collection function, and develop service level agreements (SLAs) with this function that will specify the services to be provided and the methodology to be used to monitor the quality of services provided.

Enhance the SLA with the Information Systems (IS) organization to ensure the TE/GE Division receives sufficient support from the IS organization and establish a practice to resolve issues related to non-performance.

ASSESSMENT OF CAUSES(S)

TE/GE relies on other business units to help it carry out its mission. For example, TE/GE relies on the Small Business/Self Employed Division (SB/SE) for tax collection support and on the Strategic Planning and Client Services Organization for information systems (IS) support. The use of formal agreements, for instance, memoranda of understanding (MOU) or service level agreements (SLAs), enables TE/GE to define and manage the support services these organizations provide.

Additional Management Actions Are Needed to Ensure the Timely and Successful Modernization of the Tax Exempt and Government Entities Division

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CORRECTIVE ACTIONS

On August 18, 2000, TE/GE and SB/SE concluded a Memorandum of Understanding under which SB/SE agreed to provide collection services for TE/GE. We have assigned responsibility for oversight of the MOU and the relationship with SB/SE concerning the MOU to the Director, Federal/State/Local Governments.

When TE/GE next negotiates extensions or enhancements to the existing SLA with IS, TE/GE will seek provisions ensuring that IS provides sufficient support to TE/GE and establishing a process to resolve issues related to non-performance.

IMPLEMENTATION DATE

The MOU with SB/SE is completed.

December 31, 2001 (modifications to SLA with IS)

RESPONSIBLE OFFICIAL(S)

Director, Federal/State/Local Governments (MOU with SB/SE)

Director, Business Systems Planning (modifications to SLA with IS)

CORRECTIVE ACTION(S) MONITORING PLAN

The corrective action for the MOU with SB/SE is completed, and no monitoring plan is required.

The Director, Business Systems Planning will report to the Commissioner, TE/GE on the modifications to the SLA with IS.

If you or your staff have any further questions concerning this response, please contact Mike Daly at (202) 622-6174.