



Highlights of [GAO-06-310](#), a report to the Subcommittee on Transportation, Treasury, the Judiciary, HUD, and Related Agencies, Committee on Appropriations, U.S. Senate

Why GAO Did This Study

The Internal Revenue Service's (IRS) effort to modernize its tax administrative and financial systems—Business Systems Modernization (BSM)—has suffered delays and cost overruns due to a number of factors, including inadequate development and management of requirements. Recognizing these deficiencies, IRS created a Requirements Management Office (RMO) to establish policies and procedures for managing requirements. GAO's objectives were to assess (1) whether the office has established adequate requirements development and management policies and procedures and (2) whether BSM has effectively used requirements development and management practices for key systems development efforts.

What GAO Recommends

To improve the requirements development and management practices at IRS, GAO recommends that the Commissioner of Internal Revenue direct the Associate Chief Information Officer for BSM to (1) ensure that BSM completes delivery of policies and procedures for requirements development and management as planned and (2) immediately implement interim policies for BSM projects while final policies and procedures are being developed. The Commissioner agreed with our recommendations and described steps taken to address them.

www.gao.gov/cgi-bin/getrpt?GAO-06-310.

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 or Keith A. Rhodes at (202) 512-6412 or rhodesk@gao.gov.

BUSINESS SYSTEMS MODERNIZATION

IRS Needs to Complete Recent Efforts to Develop Policies and Procedures to Guide Requirements Development and Management

What GAO Found

BSM does not yet have adequate policies and procedures in place to guide its systems modernization projects in developing and managing requirements. In January 2006, the RMO developed a set of draft policies that address some key areas of requirements development and management; these policies are to serve as interim guidance while the final policies and processes are being developed. At the conclusion of GAO's review, the RMO also provided a high-level plan that includes milestones for completing these policies. Since critical BSM projects continue to be pursued and completion of the policies and procedures is not expected until March 2007, it is critical that BSM immediately implement the draft policies and continue to develop the final policies.

As a result of the lack of policies and procedures, the one ongoing project—Modernized e-File (MeF)—and the two completed projects—Filing and Payment Compliance (F&PC) and Customer Account Data Engine (CADE)—GAO reviewed did not consistently follow disciplined practices for systems development and management (see table).

Requirements Activities Completed on BSM

Project	MeF 3.2	CADE 1.1	F&PC 1.1
Eliciting requirements	⊙	○	○
Documenting requirements	⊙	○	●
Verifying and validating requirements	⊙	⊙	⊙
Managing requirements	⊙	○	●

● Practice fully implemented
 ⊙ Practice partially implemented
 ○ Practice not implemented

Source: GAO.

Note: MeF release 3.2 will be deployed in March 2006, F&PC release 1.1 was deployed January 2006, and CADE release 1.1 was deployed July 2004.

For example, all three projects had a key element of managing requirements—a change management process that requires approvals and impact assessments to be completed when there are changes to requirements—but none met all of the practices needed for effective requirements management. In addition, two projects did not have a clear, consistent way to elicit (gather) requirements, two did not have fully documented requirements, and two could not produce fully traceable requirements (i.e., the requirements could not be tracked through development and testing), which is another key element of managing requirements. Unless IRS takes the steps needed to develop and institutionalize disciplined requirements development and management processes and implements draft policies in the interim to cover key areas of requirements development and management, it will continue to face risks, including cost overruns, schedule delays, and performance shortfalls.