Efforts to Consolidate Information Systems Staff Need Additional Attention

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INSPECTOR GENERAL
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MEMORANDUM FOR COMMISSIONER ROSSOTTI

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Efforts to Consolidate Information Systems Staff Need Additional Attention

This report presents the results of our review of the Information Systems (IS) Organization's effort to consolidate staff performing computer systems related work throughout the Internal Revenue Service (IRS). In summary, we found that the IS Organization's transition team's planning and implementation efforts need further attention. To ensure the success of the consolidation, we recommended that the Chief Information Officer, IS Transition Team Leader, and :

- The transition team needs to identify all candidates qualified to move to IS (non-IS employees performing computer systems related work).
- IRS executives need to improve transition team effectiveness by providing executive direction, involvement, and resources to implement and finalize consolidation agreements of non-IS candidate groups.
- The transition team needs to adopt a process to consolidate non-IS candidates currently performing IS support throughout the IRS' district offices.

We recommended that the Chief Information Officer, IS Transition Team Leader, and the Information Systems Organization Modernization Executive Steering Committee ensure transition teams define the employee groups to include for consolidation into IS; provide adequate transition team staffing with executive management direction to achieve IS objectives; and adopt a consolidation process for non-IS employees in district offices that considers employee skills and IS workload requirements.

Management's response was due on September 28, 2000. Management requested an extension to respond by October 4, 2000. As of October 5, 2000, management was still in the process of finalizing its action plan.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions, or your staff may call Scott E. Wilson, Associate Inspector General for Audit (Information Systems Programs), at (202) 622-8510.

Table of Contents

Executive Summary

The Internal Revenue Service (IRS) is moving its Information Systems (IS) Organization to a shared services structure[1] which consolidates all computer technology under the Chief Information Officer (CIO). This move is part of the IRS' ambitious modernization program to reorganize all aspects of the agency.

IS has started realigning and centralizing its employees and plans to move groups of employees who were performing computer support work from other functions (such as Examination and Collection) into the new IS structure. IS transition teams developed plans to move these non-IS employees into the IS Organization.

The overall objective of this audit was to assess the efficiency and effectiveness of the process to move non-IS employees performing computer support work into the new IS structure.

Results

IS has devoted a great deal of effort to developing designs and plans to implement its shared services structure. To ensure a successful transition, these efforts need to include complete data, coordination and communication between the three IS transition teams, and the cooperation of IRS executives in other divisions to reassign employees to IS.

Plans to consolidate employees into IS began in November 1998. The first transition team efforts involved identifying employee groups for consolidation. Subsequent work by the second transition team involved the development and application of processes to obtain agreements for moving employees and workload to IS. The third transition team is continuing this process, with implementation planned for October 2000.

The transition teams' efforts need further attention to ensure the success of the employee consolidation. Incomplete or delayed consolidation of employees could affect the delivery of desired customer service levels that IS and the IRS hope to achieve.

[1] A shared services structure consolidates all information systems technology throughout the IRS under the CIO to achieve efficiencies from pooled resources, prioritized work optimizing the use of resources, standardized applications and infrastructure, and consistent security guidelines and procedures.

Transition Teams Have Not Identified All Candidates for Transition to the Information Systems Organization

Transition teams experienced confusion in determining which non-IS employee groups to consider for consolidation and have not identified all potential candidates. The teams' estimates of employees for consolidation ranged from 742 to 1,500. Our analysis identified 32 additional employees not considered by any of the transition teams.

The information used to identify potential employees for consolidation was not clearly documented to provide transition team members historical information about the basis for selecting potential employees or the workload associated with the employees.

To effectively manage the IRS' information technology environment, the CIO needs to have direct control over all employees performing IS work and related support costs. We project that the employees identified for consolidation into IS would represent about 12 percent of the approximately 8,700 IS employee population after consolidation. We also estimate that the employees being consolidated into IS represent approximately $101 million in labor and support costs for Fiscal Year (FY) 2000 and approximately $88 million in labor and support costs for FY 2001.[2]

Transition Team Efforts to Implement and Finalize Consolidation of Candidate Groups Have Not Progressed Efficiently and Effectively

Transition teams use Memoranda of Understanding (MOU) between IS and other IRS divisions and functions to control the employee transition process. However, the transition teams have not efficiently and effectively developed MOUs to consolidate groups of employees into IS. As of May 2000, only 3 of 32 employee groups had completed the MOU process and moved to IS. Causes for delays in completing MOUs include inadequate staffing of the transition teams, ineffective management communication of transition teams' accomplishments, and untimely and insufficient executive involvement.

The benefits of a shared services IS structure will not be fully realized until all information technology resources are consolidated under the management control of the CIO. For example, the IRS is moving toward a standardized desktop computer environment.[3] However, because the CIO has not had control over all employees

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[2] Labor costs are based on rates calculated by the Chief Financial Officer. Labor costs for FY 2000 use on-rolls employee salaries as a basis. Labor costs for FY 2001 are based on salaries including newly hired employees.

[3] The desktop computer environment includes support, maintenance, and administration of desktop/laptop computers, printers, servers, and peripherals; desktop/laptop computer-related software; local area networks and helpdesk operations; and all related training.

performing IS work, including the purchase of computers and related equipment, IRS-wide standards have not been adequately followed or enforced. This has resulted in the IRS having more computers than needed and not putting related equipment, such as printers, to the best use. By consolidating the purchasing and management of computers and related equipment under the CIO, IS expects to save $31 million by reaching industry ratios for desktop computers and printers and $27 million by controlling purchases and distribution of new equipment.

The Phase III Transition Team Needs to Adopt a Process to Consolidate Candidates Currently Performing Information Systems Support in District Offices

The second transition team recognized the existence of non-IS employees in district offices who were performing computer support work that did not come under traditional IS job descriptions and who were not previously identified by the first transition team. The CIO chartered a Functional Automation Support Team (FAST) to determine whether to consolidate these employees into IS.

The FAST interviewed 825 district employees for potential transition to IS. Its completed survey estimated almost 400 additional employees will need to be consolidated into the IS Organization. However, the FAST and transition teams have not decided how to consolidate these employees into IS. The MOU process was designed to consolidate established groups with information systems job descriptions and does not lend itself to consolidating individual employees dispersed throughout district offices across the nation.

Delays in achieving the consolidation of the district employees and workload also hinders achieving the benefits of the shared services structure. IS estimates that about 670 non-IS employees, with labor costs of $32 million, perform about 29 percent of the IRS' desktop support, including local area network management. By consolidating these employees under the CIO, IS estimates potential savings of $16 million in labor costs each year.

Summary of Recommendations

The CIO, IS Transition Team Leader, and the Information Systems Organization Modernization Executive Steering Committee need to ensure transition teams define the employee groups to include for consolidation into IS; provide adequate transition team staffing with executive management direction to achieve IS objectives; and adopt a consolidation process for non-IS employees in district offices that considers employee skills and IS workload requirements.

Management's Response: Management's response was due on September 28, 2000. Management requested an extension to respond by October 4, 2000. As of October 5, 2000, management was still in the process of finalizing its action plan.

Objective and Scope

The overall objective of this audit was to assess the efficiency and effectiveness of the Internal Revenue Service's (IRS) Information Systems (IS) Organization's process to move non-IS employees performing computer support work under the Chief Information Officer (CIO).

This review addresses the components for a successful transition of non-IS staff into the new IS Organization.

Our review focused primarily on the transition design plans (performed by two IS transition teams termed Phase IIA and Phase IIB) and transition implementation efforts (performed by one IS transition team termed Phase III) and was conducted from March through May 2000. This review included analysis of design team documents and reports and interviews with design team members, IRS managers, and IRS executives. Fieldwork was conducted in the IRS' New Carrollton, Information Systems Headquarters Office. This audit was performed 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.

Background

The IS Organization's large and fragmented nature was recognized as a fundamental barrier to providing quick, efficient service to operational units, such as Appeals, Examination, Collection, and Criminal Investigation. Operational units receive inconsistent support and service levels, experience long delays to implement changes and improvements, and have multiple contact points to acquire services.

Consequently, the operational units created staffs of computer systems personnel in their units to provide the needed support. These staffs develop and manage computer applications related to specific unit needs.

They also manage desktop support, networks, telecommunications, and systems operations in many operational unit offices.

The IS Organization is moving to a shared services structure. This change will give the CIO responsibility for all information systems and related services. The goal of these changes is to provide consistent and improved services to the IRS and its customers.

To resolve some of these issues and create a more responsive organization, IS is moving to a shared services structure[1] which consolidates all computer technology under the CIO. IS will also establish at least five Division Information Officers (DIO) to manage demand and coordinate service with the IRS' business operating divisions and functional units. This move is part of the IRS' ambitious modernization program to reorganize all aspects of the agency.

To reach the shared services structure, IS will realign its own employees. It also plans to move groups of non-IS employees performing computer support work into the new structure. Transition teams working with the consulting firm Booz-Allen & Hamilton[2] are facilitating the plans to move the non-IS employees performing computer support work into the IS Organization. The IS Organization transition teams worked in the following phases to bring about changes to its structure.

- Phase I - Organization and Program Design
- Phase IIA - Design
- Phase IIB - Implementation Planning
- Phase III – Implementation

Plans to consolidate into IS those non-IS employees performing computer support work began during Phase IIA in November 1998. That transition team's efforts involved identifying transition candidate groups.

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[1] A shared services structure consolidates all information systems technology throughout the IRS under the CIO to achieve efficiencies from pooled resources, prioritized work optimizing use of resources, standardized applications and infrastructure, and consistent security guidelines and procedures.

[2] The IRS selected the international management and technology consulting firm of Booz-Allen & Hamilton to conduct a validation study and risk assessment of the IRS modernization plan.

Further work continued during Phase IIB to develop and apply the process to obtain agreements for transition of non-IS staff and workload to IS. The Phase III transition team is continuing this process, with targeted implementation by October 2000.

IS transition teams control the transition process through:

- Memoranda of Understanding (MOU) that provide a high-level agreement between IS and other IRS divisions and functions outlining the terms for moving the staff and resources to IS.
- Service Level Agreements that set level of service baselines and focused performance measures that IS will accomplish.
- Transition Plans that further detail the migration of non-IS employees into IS.
- DIO Start-up Plans.

Results

Our reviews show that the transition teams' efforts need further attention to ensure the success of the non-IS employee consolidation.

- Transition teams have not identified all candidates for transition to IS.
- Transition teams' efforts to implement and finalize consolidation of candidate groups have not progressed efficiently and effectively.
- The current transition team needs to adopt a process to consolidate candidates currently performing computer support in the IRS' district offices.

Incomplete or delayed consolidation of non-IS staff will affect the success of IS' plan to operate in a shared services structure. The impacts include delays in achieving staffing efficiencies from a consolidated organization and desired customer service levels through effective staff assignments.

Transition Teams Have Not Identified All Candidates for Transition to the Information Systems Organization

Clear and usable information about non-IS staff candidates for transition was not maintained or communicated during the transition process.

Transition teams have had difficulty identifying all non-IS employees performing computer support-related work. The teams experienced confusion in determining which non-IS groups to consider for consolidation and have not identified all potential candidates. Information sources, used by the Phase IIA team to identify transition candidates, were not clearly documented. The absence of this documentation inhibited subsequent transition teams' use of historical information about the basis for including candidates for transition consideration, the duties of these candidates, or the workload associated with these candidates.

To identify non-IS groups performing computer support-related work and their workload, the IS Phase I and IIA transition teams interviewed representatives from the National Office and a sample of regions, districts, and service centers. Transition team members limited candidates to only those non-IS groups that had a defined management structure, provided an identifiable support service to their customer, and could immediately contribute to the new IS structure. Groups without a defined management structure and sites consisting of two or less employees were not pursued for IS centralization.

Booz-Allen & Hamilton supported the findings from these interviews with an analysis of a Treasury Integrated Management Information System (TIMIS)[3] extract to identify non-IS transition candidates within

[3] The TIMIS provides a record of IRS employees based on the bi-weekly payroll. The record includes employee organization, location, and job description codes.

the IRS. The resulting April 1999 Phase IIA transition report estimated that approximately 1,200 to 1,500 non-IS employees were performing computer support-related work.

Transition teams' candidate estimates varied from:

- *1,200 to 1,500 positions during the Phase IIA team's work.*
- *742 positions during the Phase IIB team's work.*
- *819 positions during the Phase III team's work, plus 400 positions from the FAST, totaling 1,219 positions.*

The IS Phase IIB transition team used the Phase IIA findings to initiate consolidation of 20 non-IS candidate groups made up of 568 employees. While performing its work, the Phase IIB transition team identified an additional 11 candidate groups with 174 employees. Upon completion of its assignment in December 1999, the Phase IIB team forwarded its unfinished work for the Phase III transition team to continue. The Phase III team was charged to complete the transition of all 31 candidate groups.

Also during Phase IIB, the transition team recognized the existence of non-IS staff, performing computer support work in district offices, who did not come under traditional IS job descriptions (e.g., GS 512 – Revenue Agents). The CIO chartered a Functional Automation Support Team (FAST) to determine whether to consolidate these employees into IS. The FAST interviewed 825 district candidates for potential transition and estimated that IS will need to consolidate almost 400 additional candidates into IS.

The Phase III transition team's work continued to identify potential candidate groups. One group previously investigated and not included for consolidation by the Phase IIA and IIB teams was reconsidered and included by the Phase III team. This group includes 77 employees who perform statistical analysis about taxpayer compliance.

Our analysis of a September 12 – 25, 1999, TIMIS extract, compared with Phase IIB and Phase III transition teams' data, identified an additional 32 non-IS employees for IS consolidation consideration. Appendix VI presents details about employees identified as candidates for transition to IS.

The confusion and variance in the population of consolidation candidates and groups was caused by:

- An incomplete determination of appropriate candidates for transition consideration.

  Decisions made by the Phase I and IIA transition teams limited IS transition candidates to those non-IS groups with a defined management structure and more than two employees. Subsequent work determined that non-IS employees who should be considered for consolidation existed outside the established groups.

- Problems in handing off work from one team to the next.

  Booz-Allen & Hamilton's TIMIS analysis was not clearly documented and organized to enable its use as a reference for the transition teams. The TIMIS records maintained could not support the 1,200 to 1,500 candidates initially estimated for transition. Subsequently, the transition teams' scope required frequent reshaping to include or reconsider new candidate groups and employees.

We project that the consolidation candidates not currently reporting to an IS manager represent about 12 percent of an 8,693 employee consolidated IS workforce. We also estimate that this staff represents labor costs[4] of over $72 million and position support costs of almost $29 million for FY 2000 and labor costs of over $58 million and position support costs of almost $30 million for FY 2001.

Accurate identification of transition candidates is necessary for IS to achieve the shared services structure. The success of a shared services organization is at risk without full transition of staff and workload. The risks include loss of efficiency and consistency in systems and operations and not meeting desired levels of service for customers.

[4] Labor costs are based on rates calculated by the Chief Financial Officer. Labor costs for FY 2000 use on-rolls employee salaries as a basis. Labor costs for FY 2001 are based on salaries including newly hired employees.

Recommendation

Without a complete and accurate population of transition candidates, moving to the restructured organization will be difficult.

1. The CIO and the IS Transition Team Leader should identify all non-IS transition candidates, their workload and customers, and determine whether they are performing IS-related work. The transition team's consolidation considerations need to include the additional candidates identified by the FAST and by this review.

Management's Response: Management's response was due on September 28, 2000. Management requested an extension to respond by October 4, 2000. As of October 5, 2000, management was still in the process of finalizing its action plan.

Transition Team Efforts to Implement and Finalize Consolidation of Candidate Groups Have Not Progressed Efficiently and Effectively

The goal to consolidate non-IS staff performing computer support work by October 2000 is at risk.

IS' goal was to complete the non-IS candidate group consolidation before October 2000. The Phase IIB charter estimated a need for 10 IRS employees to complete both the remaining Phase IIA team's work and its own assignments. The Phase IIB team was assigned to assess the potential benefits of consolidating the groups, to implement informal reporting changes for the non-IS candidate group managers and to develop plans to formally change reporting relationships for candidate groups' employees, i.e., consolidating their positions into the IS Organization.

The Phase IIB team was staffed with four IRS employees to pursue all of the consolidation objectives. They followed the transition control process in working to consolidate 568 employees in the 20 groups identified during Phase IIA.

The MOU portion of the transition control process provides formal agreements between non-IS candidate groups and IS to move staff, resources, and workload. The November 1999 Phase IIB report on the MOU process showed the following status of efforts to move the 20 Phase IIA groups to IS:

- 3 MOUs were signed.
- 7 MOUs were in the signature process.
- 9 MOUs were in various stages of development.
- 1 candidate group refused to cooperate.

The Phase III transition team effort began in January 2000, with only three IRS employees. Its plan was to continue consolidation of the 17 groups remaining from Phase IIB and pursue consolidation of the additional 12 groups identified during Phase IIB and Phase III.

The May 2000 Phase III report on the MOU process showed that little progress had been made toward completing MOUs for the original 20 groups. The May 2000 MOU status was:

- 3 MOUs were signed.
- 4 MOUs were in the signature process.
- 4 MOUs were unchanged from November 1999.
- 3 MOUs were delayed due to negotiations with candidate group managers.
- 5 MOUs were on indefinite hold.
- 1 candidate group was submitting an exception request.

Only 1 of the 12 groups, that were added during Phases IIB and III, has made any progress in the MOU process. Appendix V presents details about the MOU signature progress and status as of May 31, 2000, for each of the 32 candidate groups.

The consolidation of non-IS candidates has not progressed because of inadequate transition team staffing, management breakdowns, and absence of executive involvement.

Several causes are delaying the completion of the MOU portion of the transition control process. These causes include an absence of adequate transition team staffing, ineffective management to provide continuity in communicating team accomplishments, and untimely and insufficient executive involvement.

Sufficient staff have not been assigned to develop and process the MOUs

As mentioned above, the Phase IIB charter recommended 10 IRS team members for the Phase IIB transition team, but only 4 were assigned. The Phase III transition team has only 3 members to complete all of the remaining objectives. The 3 team members and team leader were scheduled to depart by July 2000.

Transition team management did not effectively manage team accomplishments

The management of the consolidation process did not ensure:

- *A clear definition of transition team objectives and scope.*
- *Effective hand-off of information and accomplishments from one phase to the next.*
- *Adequate control to assess the status and progress of the MOU agreement/signature process.*

Transition team management did not effectively monitor and control the data gathered to develop the MOUs. They did not effectively communicate the progress of the MOU process between the conclusion and the initiation of Phases IIA, IIB, and III.

This situation occurred because of the departure and reassignment of team leaders. The Phase II team leader retired at the conclusion of Phase IIB in December 1999, and a new team leader was not assigned until March 2000.

Communication of team accomplishments did not include all information about potential candidate groups. Non-IS groups providing support for IS systems (processing tax-related information) were included in the Phase IIA scope. However, non-IS groups providing support for IRS computer operations (supporting wide area networks, local areas networks, and desktop computers) were not included in the Phase IIA scope.

The gap in coverage of potential candidates resulted from assumptions that team leaders from other transition teams included these employees and groups in their objectives and scope. The Phase IIB team members recognized the gap and brought it to the team leader's attention. The team leader subsequently included these potential candidates in the team's scope - 12 groups involving 251 employees and as many as 400 district office candidates identified by the FAST.

In addition to scope issues, the management of handing off data from one team to the next was not always effective. Data supporting the MOU negotiations were not always current and complete. The Phase IIB team had to rework the Phase IIA team's work to confirm candidate group attributes (job series, workload responsibilities, numbers of candidates). Also, the Phase IIB team's control over the routing and signatures confirming agreement to MOUs was not effective. The absence of control did not allow the Phase III team to readily identify the status of the MOU agreement/signature progress.

Absence of involvement by IRS executives has resulted in stalled agreements to consolidate non-IS staff

During their transition negotiation efforts, team members faced reluctance about consolidating groups into IS from non-IS candidate group managers and the groups' executive management. These managers and executives expressed reluctance to release their staff and resources because they:

- Believe they are, or should be, exempt from the IS consolidation process.
- Do not want to transfer the funds related to transition candidates.
- Disagree on the number of candidate positions for IS consolidation.
- Question the level of service IS will provide to maintain their systems if they allow candidate migration to IS.

Transition team members did not have the authority to direct candidate group's executives to participate in the IS consolidation process.

These concerns resulted in delays in obtaining agreement to MOUs. Phase IIB and III transition team members could not advance the MOU process because they did not have the authority to fully engage candidate group executive management in negotiations.

IS chartered the Information Systems Organization Modernization Executive Steering Committee to implement the organizational changes in the Phase IIA Organization Integrated Blueprint. The key objectives of this Committee are to:

Involving both IS executives and candidate group executives in the transition process will facilitate progress in consolidating IS staffing, resources and workload.

- Align resources necessary to successfully implement the IS shared services structure depicted in Phase IIB recommendations.
- Ensure senior management is held accountable for implementation progress.
- Provide direction regarding modifications to Phase IIB recommendations.
- Provide direction regarding organizational concerns.
- Ensure that IS is aligned to effectively address customer expectations.

The Committee held its first meeting on April 14, 2000. The consolidation of non-IS staff performing computer support work was included in the scope of the Committee's concerns. It addressed candidate group manager and executive resistance to consolidation and approved an action item to elevate stalled negotiations to the CIO and/or Deputy CIO and the candidate group executives. Continued cooperation problems will be referred to the Commissioner for resolution.

Delays in consolidating non-IS staff performing computer support work adversely affects the CIO's ability to meet the following goals:

- Pooled resources to achieve efficiencies.
- Prioritized work to optimize efficient use of resources.

- Standardized applications and equipment.
- Consistent security guidelines and procedures.

Communicating the benefits of a shared services structure to candidate group executives will help alleviate their concerns about staffing needs and customer service levels.

Without consolidating staff and the associated work, the CIO cannot effectively achieve the benefits of the shared services structure. The CIO cannot pool, prioritize, standardize, or secure staff, resources, and assets that are not under his control. Also, delays in achieving the formal consolidation of non-IS staff and workload hinders the accomplishment of the benefits the shared services structure will produce.

For example, the IRS is moving toward a standardized desktop computer environment;[5] however, IRS-wide equipment standards are not well communicated or enforced. Currently, functions have the ability to circumvent equipment standards, and they have installed different configurations that need specific maintenance. Purchases of new equipment tend to be project-specific, resulting in a non-standard desktop.

The fragmented nature of IS' infrastructure has resulted in more equipment than needed and equipment not put to the best use. IS projected the following savings through efficient, centralized asset management:

- $28 million by reducing the number of desktop computers from 1.4 for each employee to an industry benchmark of 1.11 for each employee.
- $3 million by reducing the number of printers from 1 for each 1.2 employees to an industry benchmark of 1 for each 20 employees.
- $27 million by controlling the purchase and distribution of new equipment.

[5] The desktop computer environment includes support, maintenance, and administration of: desktop/laptop computers, printers, servers, and peripherals; desktop/laptop computer-related software; local area networks and helpdesk operations; and all related training.

Efforts to accomplish this and other benefits will not be fully realized until all information technology resources are consolidated under the management control of the CIO.

Recommendations

The CIO, IS Transition Team Leader, and the Information Systems Organization Modernization Executive Steering Committee need to:

2. Give immediate priority to adequately staff the Phase III transition team to meet implementation objectives and the October 1, 2000, target completion date.
3. Follow through on the Committee's action item to increase executive involvement at the CIO and Deputy CIO level and refer unresolved issues to the Commissioner. Success of this plan item is essential to moving the MOU process forward.
4. Alleviate functional management concerns about service levels. To accomplish this, IS executive involvement should be augmented with information about the Business Results (customer service levels) developed for the IS Balanced Measures that were approved in March 2000. These Business Results will provide candidate group managers and executives a preview of the types of services and service levels IS plans to provide for customers. These measures will also show the Business Results that IS will be held accountable for providing.

The Phase III Transition Team Needs to Adopt a Process to Consolidate Candidates Currently Performing Information Systems Support in District Offices

As mentioned above, the Phase IIB transition team recognized the existence of non-IS staff in district offices who are performing computer support work that did not come under traditional IS job descriptions. In response, the CIO chartered the FAST to determine whether to consolidate these employees into IS.

IS needs to decide how to consolidate into IS an estimated 400 non-IS candidates dispersed among district offices across the nation.

The FAST began its analysis and surveys of potential candidates in January 2000. It interviewed 825 district candidates for potential transition. Its completed May 2000 survey estimated IS will need to consolidate almost 400 additional employees.

The FAST and the Phase III team have not decided how to consolidate these employees. The MOU process was designed to consolidate established groups with information system-related job descriptions and does not lend itself to consolidating individual employees. The MOU process will not efficiently facilitate consolidating individual positions dispersed throughout district offices across the nation. Also, the National Treasury Employees Union (NTEU) contract negotiations need consideration because moving these employees will require changes from non-IS job descriptions to IS job descriptions (e.g., GS-512 Revenue Agent to GS-334 Computer Programmer).

The FAST has designed a means to reassign non-IS candidates to IS. However, candidate job descriptions and workload support issues need further consideration.

The FAST has proposed a tiered process allowing candidates to voluntarily move to IS. Generally, the tiered approach first allows those employees to migrate to IS who provide computer support in district offices. The next tier for migration includes candidates with collateral information systems duties in addition to their primary job description. The proposed plan allows pools of candidates to migrate to IS positions at their current posts of duty.

Although this process provides a means to reassign these non-IS candidates, IS consolidation goals are at risk.

- The migration process needs executive and NTEU approval and implementation to meet the October 2000, target to consolidate all IS resources under the CIO.
- The candidates who volunteer to migrate may not have the skills and abilities to support the information system workload moving to IS.

Without an efficient plan to move these non-IS candidates and their workload, the CIO will not be able to timely and effectively achieve the benefits of the shared services structure. Delays in achieving the consolidation of this district non-IS staff and workload also hinders the accomplishment of benefits the shared services structure will produce.

For example, IS' Operations Division estimated that about 670 non-IS employees, with labor costs of $32 million, perform about 29 percent of the IRS' desktop support, including local area network management. Many of the 400 consolidation candidates identified by the FAST are engaged in some level of desktop support.

The IRS' desktop support efforts are fragmented and overlapping. The IRS' ratio for desktop support personnel is 1 for 94 desktop users, which is significantly below industry standards. IS, in conjunction with Booz-Allen & Hamilton, prepared a business case to improve the support personnel ratio to 1 for 125 desktop users, which is in the mid-range of industry standards. Potential savings from combining on-site support staff, and efficient staff deployment is $16 million in labor costs each year.

Recommendation

5. The CIO, IS Transition Team Leader, and Information Systems Organization Modernization Executive Steering Committee, in conjunction with the NTEU, need to adopt an effective and efficient plan to consolidate candidates currently performing information systems support in district offices.

   They should review the FAST transition plan and adopt its tiered process with provisions that include analyzing staffing requirements to support moving workload and determining which existing candidates will be necessary to support the workload. If volunteers do not move with the workload, the group should consider detailing the employees currently performing the support activity with an option for their transfer to IS. They should continue the detail for a period that allows IS to either accept a transfer from the existing employee, reassign the work performed by the employee, or obtain other staffing to support the work.

Conclusion

To effectively manage the IRS' information technology environment, the CIO needs to control all related costs and staffing. We project that the consolidation candidates not currently reporting to an IS manager represent about 12 percent of an 8,693 employee consolidated IS workforce. We also estimate that this staff represents labor costs of over $72 million and position support costs of almost $29 million for FY 2000 and labor costs of over $58 million and position support costs of almost $30 million for FY 2001.

Without providing the CIO control over IS staff and resources, benefits of a shared services structure cannot be achieved. These benefits translate into significant cost and operational efficiencies.

Incomplete or delayed migration of non-IS staff will affect the success of IS' plan to operate in a shared services structure. The impacts include delays in achieving efficiencies from pooled resources, prioritized work optimizing use of resources, standardized applications and equipment, and consistent security guidelines and procedures. These delays affect the overall delivery of desired customer service levels that IS and the IRS plan to achieve.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to assess the efficiency and effectiveness of the Internal Revenue Service's (IRS) Information Systems (IS) Organization's process to move non-IS employees performing computer support work into consolidated groups under the Chief Information Officer (CIO). To achieve this objective, we performed the following reviews and tests:

I. We assessed the adequacy of IS transition teams' efforts to develop and implement appropriate and realistic transition plans.

   A. We determined if Phase IIA design teams identified all non-IS employees performing computer support work and considered them for transition to IS. To make this determination, we:

      1. Obtained a Treasury Integrated Management Information System (TIMIS) extract to identify non-IS employees within the IRS. The extract included information about non-IS employees (employee name, group, location, and division) as of Pay Period 19 (September 12 – 25) in calendar year 1999 who had a job series code 080, 332, 334, 335, 340, 343, 345, 388, 391, 392, 394, 854, 935 or 1550.

      2. Obtained the Phase IIA design team's Group Analysis reports and team Executive Steering Committee Briefing reports. The Phase IIA design team used these reports to identify and analyze centralization candidate groups.

      3. Located and accounted for groups identified by the TIMIS extract that contained non-IS employees with IS job series descriptions, but which were not yet considered candidate groups by the design team.

      4. Compared the TIMIS extract results and the design team analysis to the Memoranda of Understanding (MOU) to determine whether the MOUs reflected the correct number of non-IS employees for transition.

   B. Part of the IS transition team's efforts in Phase III included coordinating the work of the CIO-chartered programs to identify non-IS employees performing computer support work in IRS operations (e.g., Revenue Agents, Revenue Officers). The CIO chartered a pilot program to identify non-IS employees performing computer support-related work in three districts that was completed on March 2, 2000. Based on the results of the pilot program, the CIO chartered the Functional Automation Support Team (FAST) to identify non-IS employees in the remaining 30 districts; its work was completed on May 18, 2000.

We evaluated the test methodology to determine if the transition teams effectively identified the non-IS staff working in operations. To perform this evaluation we:

1. Obtained and reviewed the pilot district test results and assessed the design team's methodology, including the methods or criteria it used to determine if the non-IS staff performed computer support tasks and whether the tests captured these employees' program/workload responsibilities.
2. Reviewed revised survey criteria, updated from the pilot test, to assess the adequacy of the methodology to effectively identify the non-IS staff performing computer support tasks.
3. Visited three districts and observed the survey performance to determine whether the design teams obtained sufficient and relevant information to identify the non-IS staff performing computer support tasks.

C. Based on differences between our review results and the transition teams' identification of non-IS staff performing computer support tasks in its Group Analysis reports and IRS operations staff survey, we determined how these discrepancies affected IRS transition planning. We determined the impact on:

1. Consolidation decisions and projected savings based on the number of non-IS employees migrating to IS.
2. IS' ability to support customer needs based on updates in the number of migrating non-IS employees.
3. The "stand-up" of the operating divisions and functional organizations.

D. We evaluated the adequacy of the Phase III design team plans to consolidate non-IS groups into the IS Organization. This evaluation included assessments of plans to identify and centralize non-IS employees not identified during the previous two phases and the process to measure the effectiveness of the newly consolidated groups.

E. We determined the potential impact of delays in the IS consolidation process on the IRS Organization Blueprint. To determine this impact, we interviewed Divisional Information Officers', representatives from the Large and Mid-size Business Division and the Small Business/Self-Employed Division Design Teams, and members of the design teams developing the Phase III implementation plans.

II. We determined whether IS centralization candidate groups are adequately staffed and supported after consolidation so that customer service levels will be maintained or improved.

A. We evaluated IS transition teams' efforts to account for all staff and work performed in the IS centralization candidate groups. These transition efforts include MOUs detailing the transfer of personnel to IS and Service Level Agreements (SLA) establishing the level of service to be provided to customers. MOUs and SLAs are required for each IS centralization candidate group.

1. Selected 5 of the 20 IS centralization candidate groups to identify the methodology the IS design team used to account for and move non-IS staff and their workload. We selected one group (Employee Plans/Exempt Organizations) with an MOU and four groups without MOUs (Chief Financial Officer, Criminal Investigation, Customer Service and Submission Processing-Philadelphia Service Center, and Appeals-National Office).

2. Reviewed and verified baseline analysis reports prepared by the Phase IIA Design Team for the five IS centralization candidate groups to determine if Design Teams accurately accounted for all staffing and work performed in the group.

B. We evaluated the agreement discussion process between the IS design team and IS centralization candidate groups to determine why MOUs and SLAs were not developed timely.

III. We determined if IS will adequately measure, monitor, and report the effectiveness and efficiency of the IS centralization candidate groups service after consolidation.

A. We determined, through the Division Information Officers, how the IS Organization will measure customer service before the transition to set a baseline.

B. We reviewed the Operational Measures (customer service levels) developed for the IS' Balanced Measures and interviewed customers of the moved groups to determine if they are capturing the data to measure the effectiveness of the IS centralization candidate groups. We identified the:

1. Criteria used now to measure levels of customer service.

2. Analysis performed to determine performance levels.

3. Plans to develop measures of performance if none currently exist.

Appendix II

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Appendix III

Report Distribution List

Deputy Commissioner Operations C:DO
Deputy Commissioner Modernization C:DM
Chief Information Officer IS
Team Leader, Information Systems Organization Modernization IS:SP
Director, Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis M:O
Office of Management Controls CFO:A:M
Office of Chief Counsel CC
National Taxpayer Advocate TA
Audit Liaisons:
    Chief Information Officer IS
    Business Systems Modernization Office B:E

Appendix IV

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to the Congress.

Finding and recommendation:
Information Systems (IS) transition teams have not timely and effectively identified all non-IS employees for transition to the IS Organization. Their estimates of employees in candidate groups varied:

- 1,200 to 1,500 positions (identified during Phase IIA).
- 742 positions (identified during Phase IIB).
- 1,219 positions (819 positions identified during Phase III and 400 positions identified by the Functional Automation Support Team [FAST]).

We identified 32 additional employees that IS should consider in the non-IS employee consolidation (see page 5).

The Phase III transition team should incorporate the additional candidates into the consolidation scope. It needs to expeditiously define the candidate groups to include for transition. These actions will provide a population of candidates that should allow IS to effectively implement its shared services organization.

Type of Outcome Measure:
Reliability of Information - Potential

Value of the Benefit:
Accurate identification of transition candidates is necessary for IS to effectively implement the shared services structure. Without full transition of staff and workload, the success of a shared services organization is at risk. The risks to success include loss of efficiency and consistency in systems and operations and not meeting desired levels of service to customers.

To effectively manage the IRS' information technology environment, the Chief Information Officer (CIO) needs to control all related costs and staffing. Effective management is necessary to ensure the shared services structure meets the planned goals and expectations. However, even though consolidation efforts began in November 1998, the CIO still did not have responsibility for, and control over, more than 1,000 non-IS employees and their related workload at the end of January 2000.

The employees not currently reporting to an IS manager represent about 12 percent of the projected 8,693 consolidated IS workforce. This staff represents labor costs of over $72 million and position support costs of almost $29 million for Fiscal Year (FY) 2000 and labor costs of over $58 million and position support costs of almost $30 million for FY 2001.

Methodology Used to Measure the Reported Benefit:
To project the consolidated workforce, we determined the size of IS' workforce from a January 31, 2000, Treasury Integrated Management Information System (TIMIS) report. We added the non-IS employees under consideration by the Phase III transition team not yet consolidated as of the TIMIS report date to reach the estimated 8,693 workforce total.

The estimate of 1,020 non-IS candidates not reporting to the CIO as of January 2000 was determined by considering our estimated 1,219 total consolidation candidates less the 199 employees who moved to IS prior to January 2000.

To determine the labor and staff support costs not controlled by the CIO, we multiplied the number of non-IS employees not yet consolidated by the IRS' Unit Cost Rates for FYs 2000 and 2001. The Unit Cost Rates were developed by the Chief Financial Officer's office for use in budget formulation. We used the Unit Cost Rate per Full Time Equivalent to calculate labor costs and the Unit Cost Rate per Position to calculate position support costs.

Finding and recommendation:
Transition team efforts to implement and finalize consolidation of non-IS candidate groups has not progressed efficiently and effectively. Little progress towards completing Memoranda of Understanding (MOU) for the original 20 groups was made in the 6 months from December 1999 through May 2000. Only 1 of the 12 groups the Phase IIB team added to its scope has made any progress towards completing the MOU (see page 8).

IS executives need to become an active part of the non-IS staff consolidation process. Their involvement should include:

- Adequately staffing the Phase III transition team.
- Following through on the Information Systems Organization Modernization Executive Steering Committee action item to increase executive involvement.
- Addressing functional management concerns about service levels.

Type of Outcome Measure:
Protection of Resources - Potential

Value of the Benefit:
Transition to a shared services structure will allow pooling of resources to achieve projected efficiencies; prioritizing work to optimize the efficient use of resources; standardizing applications and equipment; and establishing effective, consistent security guidelines and procedures. Without consolidating staff and the associated work, the CIO cannot effectively achieve the benefits of the shared services structure. The CIO cannot pool, prioritize, standardize, or provide for the security of staffing, resources, and assets that are not under his control.

Delays in achieving the formal consolidation of non-IS staff and workload also hinders the accomplishment of the benefits the shared services structure will produce. For example, the IRS is moving toward standardization of the desktop environment; however IRS-wide equipment standards are not well communicated or enforced. Currently, functions have the ability to circumvent equipment standards, and they have installed different configurations that need specific maintenance. Purchases of new equipment tend to be project-specific, resulting in a non-standard desktop.

The fragmented nature of IS' infrastructure has resulted in more equipment than needed and equipment not put to the best use. IS' analysis projected the following savings through efficient, centralized asset management:

- $28 million by reducing the number of desktop computers from 1.4 for each employee to an industry benchmark of 1.11 for each employee.
- $3 million by reducing the number of printers from 1.0 for each 1.2 employees to an industry benchmark of 1.0 for each 20 employees.
- $27 million by controlling the purchase and distribution of new equipment.

Efforts to accomplish this and other benefits will not be fully realized until all information technology resources are consolidated under the management control of the CIO.

Methodology Used to Measure the Reported Benefit:
To determine the goals established for the planned shared services organization, we reviewed Phase IIA and IIB reports and blueprints. To determine the savings projected for standardizing the desktop environment, we reviewed and analyzed the IS Phase IIA Operations Design Team's "Desktop Analysis" documentation.

Finding and recommendation:
The Phase IIB transition team recognized the existence of non-IS staff performing computer support roles in district offices. It needs to adopt a process to consolidate an estimated 400 additional district candidates (see page 13).

Efforts to Consolidate Information Systems Staff
Need Additional Attention

The CIO, IS Transition Team Leader, and the Information Systems Organization Modernization Executive Steering Committee, in conjunction with the National Treasury Employees Union, need to cooperate to create a process with provisions that include:

- Analyzing staffing requirements to support moving the workload.
- Determining which existing employees will be necessary to support the workload.

Type of Outcome Measure:
Protection of Resources - Potential

Value of the Benefit:
Delays in achieving the consolidation of this district non-IS staff and workload also hinders the accomplishment of benefits the shared services structure will produce.

For example, IS' Operations Division estimated that about 670 non-IS employees, with labor costs of $32 million, perform about 29 percent of the IRS' desktop support, including local area network management. Many of the 400 consolidation candidates identified by the FAST are engaged in some level of desktop support. Overall, IRS' desktop support is fragmented and overlapping.

The IRS' ratio for desktop support personnel is 1 for 94 desktop users. This ratio is significantly below industry standards. IS, in conjunction with Booz-Allen & Hamilton, prepared a business case to increase the support personnel ratio to 1 for 125 desktop users, which is in the midrange of industry standards. Potential savings from combining on-site support staff and staffing efficiently is $16 million in labor costs each year.

Methodology Used to Measure the Reported Benefit:
To determine the goals established for the planned shared services organization, we reviewed Phase IIA and IIB reports and blueprints. To determine the savings projected for standardizing the desktop environment, we reviewed and analyzed the IS Phase IIA Operations Design Team's "Desktop Analysis" documentation.

Appendix V

Memoranda of Understanding -
Status for Consolidation Candidate Groups as of May 31, 2000

Group	Business Area	Number of Potential Transition Candidates	Phase Identified and Included	Transition Status
Appeals' Field Information Systems Staff	Appeals	44	Phase IIA	Delayed; Regressed from Signature Process
Appeals' National Office Information Systems Division	Appeals	40	Phase IIA	Delayed; Regressed from Signature Process
Support Services Dallas Development Group	Agency-Wide Shared Services	22	Phase IIA	Signature Process
Procurement Oxon Hill	Agency-Wide Shared Services	5	Phase IIB	Placed on Hold; Regressed from Work in Progress
Procurement New Carrollton Federal Building	Agency-Wide Shared Services	94	Phase IIB	Placed on Hold; Regressed from Work in Progress
Field, Region, Host Sites & District Offices	Agency-Wide Shared Services	47	Phase IIB	Placed on Hold; Regressed from Work in Progress
Human Resources Northeast Region	Agency-Wide Shared Services	2	Phase IIB	Work in Progress
Chief Financial Officer Information Systems Group	Chief Financial Officer	32	Phase IIA	Delayed; Regressed from Signature Process

Efforts to Consolidate Information Systems Staff Need Additional Attention

Group	Business Area	Number of Potential Transition Candidates	Phase Identified and Included	Transition Status
Management Information & Analysis Team	Collection	4	Phase IIB	No Progress
Excise Fuel Information Reporting System	Compliance (Examination & Collection)	1	Phase IIA	No Change; Work in Progress
Midwest Automated Compliance System Development Group Brooklyn Center, MN	Compliance (Examination & Collection)	15	Phase IIA	Signature Process
Report Generation System Dallas Development Group	Compliance (Examination & Collection)	2	Phase IIA	Signed MOU
Counsel's Information Systems Division	Counsel	142	Phase IIA	Signed MOU
Criminal Investigation	Criminal Investigation	86	Phase IIA	Submitting an Exception Request
Automated Insolvency	Customer Service	8	Phase IIA	Signature Process
Automated Liens System and Entity	Customer Service	14	Phase IIA	Signature Process
Centralized Inventory Distribution System	Customer Service	Undetermined	Phase III	Work in Progress
Service-wide Electronic Research Program Cincinnati Service Center	Customer Service	3	Phase IIB	Work in Progress
Program Management Division Modernization Branch Automation Section	Customer Service	14	Phase IIB	Placed on Hold; Regressed from Signature Process

Efforts to Consolidate Information Systems Staff Need Additional Attention

Group	Business Area	Number of Potential Transition Candidates	Phase Identified and Included	Transition Status
Compliance Division Research & Analysis Staff Brookhaven Service Center	Customer Service	7	Phase IIA	Placed on Hold; Regressed from Signature Process
Compliance Division Research and Analysis Staff Ogden Service Center	Customer Service	10	Phase IIA	Placed on Hold; Regressed from Signature Process
Workforce and Performance	Customer Service	3	Phase IIB	Placed on Hold; Regressed from Work in Progress
Telecommunications Staff	Customer Service	Undetermined	Phase IIB	Work in Progress
Multimedia	Customer Service	11	Phase IIB	Work in Progress
Electronic Filing Andover Service Center	Customer Service Field Operations	5	Phase IIB	Work in Progress
International Information Technology Division	International	41	Phase IIA	No Change; Work in Progress
National Office Artificial Intelligence Group	Research and Statistics of Income	17	Phase IIA	Delayed; No Change
National Office Compliance Data Warehouse Group	Research and Statistics of Income	14	Phase IIA	Delayed; No Change
Statistics of Income	Research and Statistics of Income	77	Phase IIA	Placed on Hold
Austin Management Information Systems Group	Submission Processing	12	Phase IIA	Placed on Hold; Regressed from Signature Process

Efforts to Consolidate Information Systems Staff Need Additional Attention

Group	Business Area	Number of Potential Transition Candidates	Phase Identified and Included	Transition Status
Customer Service and Submission Processing Groups Philadelphia Service Center	Submission Processing	31	Phase IIA	Placed on Hold; Regressed from Signature Process
Employee Plans/ Exempt Organizations Information Technology Division	Tax Exempt and Government Entities	16	Phase IIA	Signed MOU
Total Number of Transition Candidates		**819**		

Appendix VI

Summary of Non-Information Systems Candidates Identified for Transition as of May 31, 2000

Candidate Identification	Totals
Non-Information Systems (IS) "Operations" Group Candidates Identified for Transition to IS[1]	171
Non-IS "Systems" Group Candidates Identified for Transition to IS[2]	648
Candidates Estimated by the Functional Automation Support Team (FAST) for Transition to IS[3]	400
Total Candidates Identified for Transition by Transition Teams	**1,219**
Total Number of Full Time Equivalents (FTE) Estimated by the Treasury Inspector General for Tax Administration (TIGTA) for Transition to IS and Not Previously Identified by any Transition Teams[4]	32
Total Number of Non-IS Candidates That Could Move to IS	**1,251**

[1]The total number of non-IS Operations' candidate groups identified for transition to IS is based on the Phase III transition team Status Report dated May 31, 2000. This report lists the 10 Operations' groups identified by the transition teams and the estimated number of FTEs that could move to IS.

[2]The total number of non-IS Systems' candidate groups identified for transition to IS is based on the Phase III transition team Status Report dated May 31, 2000. This report lists the 26 systems' groups identified by the transition teams and an estimated total of 648 FTEs that could move to IS. This total does not include 4 non-IS groups with a combined total of 12 FTEs that the transition teams labeled as "N/A" – excluded for transition consideration by the transition team (3 FTEs) or being considered under the FAST process (9 FTEs).

[3]The total number of district candidates estimated by the Chief Information Officer-chartered FAST for transition to IS is based on interviews with 825 district employees. The FAST estimates that IS will need to consolidate almost 400 additional candidates into IS to continue performing computer support-related work.

[4]The total number of FTEs estimated by TIGTA and not previously identified by any of the transition teams is based on our analysis of a Treasury Integrated Management Information System (TIMIS) extract for Pay Period 19 (September 12 - 25, 1999). We analyzed the extract to identify the number of non-IS employees not identified by the transition teams. A breakdown of these 32 FTEs by office, division, and job series is presented in the following table.

Additional non-Information Systems employees identified for transition by the TIGTA's TIMIS analysis:

OFFICE	DIVISION	JOB SERIES	FTEs
Andover Service Center	Submission Processing Division	0335	1
Brookhaven Service Center	Management & Accounting Division	0335	1
Brookhaven Service Center	Processing Division	0334	1
Chief Management & Administration	Communication Complaint Processing & Analysis	0334	1
Chief Management & Administration	National Director for Budget	0334	1
Chief Management & Administration	School of Information Technology	0334	2
Chief Management & Administration	School of Professional Development	0334	1
Chief Management & Administration	School of Taxation	0334	3
Chief Operations Officer	Assistant Commissioner (Customer Service)	0334	1
Chief Operations Officer	Assistant Commissioner (Examination)	0334	3
Chief Operations Officer	Assistant Commissioner (Electronic Tax Administration)	0334	1
Chief Operations Officer	Submission Processing Division	0334	1
Chief Operations Officer	Tax Forms & Publications Division	0334	1
Cincinnati Service Center	Quality Assurance & Management	0334	1
Customer Service Center - Atlanta	Director's Office	0334	1
Kansas City Service Center	Compliance Division	0334	3
Kansas City Service Center	Quality Assurance & Management Support	0334	1
Kansas-Missouri District	St. Louis – District Office Research & Analysis	0335	1
Memphis Service Center	Compliance Division	0334	1
Midstates Regional Office – Dallas	Chief Compliance Officer Midstates Region	0334	1
Midstates Regional Office – Dallas	Chief Compliance Officer Midstates Region	0335	1
Northeast Regional Office	Chief Compliance Officer Northeast Region	0334	1
Office of the Commissioner/ Deputy Commissioner	Office of the Deputy Commissioner	0334	1
Ogden Service Center	Quality Assurance Management System Division	0334	1
Western Regional Office – San Francisco	Chief Compliance Officer Western Region	0335	1
		TOTAL	32