$200 MILLION RELEASED FOR SYSTEMS MODERNIZATION;
IRS STRATEGY MOVES FORWARD

WASHINGTON -- Congressional leaders have approved releasing $200 million for the next step of the Internal Revenue Service's sweeping Business Systems Modernization program.

"This moves us another step forward in our long-term effort to modernize IRS business systems," Paul Cosgrave, IRS Chief Information Officer, said Tuesday.

Leaders of the Senate and House Appropriations Committees have released the $200 million. The leaders noted the IRS has made significant progress on the technology modernization program.

"A lot of work remains, but we are encouraged by our initial efforts and the continuing support from Congress and other oversight groups," Cosgrave said. "This partnership approach with Congress and other groups has put us on track to deliver significant business and technological changes to help taxpayers."

The $200 million will be targeted for several areas, including:

■ Completion of the vision and strategy initiative for systems development, which establishes the future direction and priorities for modernization efforts.

■ Completion of the architecture engineering activities, which identify the structure and standards that the modernization projects must follow.

■ Completion of a tax calculation software package for use by IRS employees who examine corporate and international tax returns.

■ Beginning installation of a new accounting system, which is the first step towards an integrated financial management system that will help improve financial controls.

■ Developing and deploying infrastructure projects that will help guarantee data security and privacy involving modernization projects.

(more)

For the first time, congressional leaders have approved releasing $15 million to the IRS as a management reserve fund. Cosgrave said the fund – included as part of the $200 million -- will help ensure the modernization projects move forward smoothly and without interruption. The IRS will develop criteria for using the fund and alert congressional leaders before drawing on the reserve.

The IRS is also working on other elements of the project, including the Customer Account Data Engine, or CADE. This will create a centralized database for taxpayer records, capable of being updated daily. CADE will improve customer service by making complete and current information about taxpayers available at one reference point. The IRS will develop CADE in phases over the next six years, beginning with individuals filing the simplest returns.

The $200 million comes from $577 million previously set aside by Congress in a special Information Technology Investment Account (ITIA). Before Congress releases this money to the IRS, the agency's proposals undergo a special multi-layered review process to ensure a proper approach to technology modernization.

The release of the technology funds followed a review process by several oversight groups: an internal IRS group, the Treasury Department, the Office of Management and Budget and the General Accounting Office. Leaders of the House and Senate Appropriations Committees have the final say on each release of money from the ITIA.

The new release – the fifth made since June 1999 -- brings the total amount of money released from the ITIA to $448 million. This also marks the largest release from the fund.

Projects previously funded from ITIA include a customer communications call routing package, which will help improve telephone access for taxpayers calling the IRS. The system will be in place next year.

The modernization project is a joint effort between the IRS and a private-sector consortium headed by Computer Sciences Corporation. The project is known as the Prime, which stands for Prime Systems Integration Services contract.

The Prime contract is a long-term effort that could last 10-15 years. The project's ultimate goal will be revolutionizing nearly every aspect of the IRS, with new technology touching everything from the agency's core data systems to the processing of tax returns.

"This new technology will be the springboard for us to improve taxpayer service," IRS Commissioner Charles O. Rossotti said.

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