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IRS MOVES FORWARD WITH COMPUTER MODERNIZATION, SELECTS PRIME CONTRACTOR

WASHINGTON -- The Internal Revenue Service took a major step Wednesday toward overhauling its antiquated computer systems by awarding a contract to a team of companies that will help modernize the agency's technology.

The IRS selected a consortium headed by Computer Sciences Corporation to work in a multi-year partnership with the agency on its Prime Systems Integration Services Contract, or Prime. The goal will be creating new IRS technology systems that will improve taxpayer service, add new security features and carry the agency into the new century.

"To improve service, the IRS needs to break out of its technological time warp from the 1950s and 1960s," said Charles Rossotti, Commissioner of Internal Revenue. "In the long run, this new partnership will help us replace archaic technology with the modern tools we need to deliver top-quality service to taxpayers."

Paul Cosgrave, IRS Chief Information Officer, said the partnership of experts from the private sector and the public sector provides the best approach for the mammoth task of updating the agency's computer systems.

"We'll work hand-in-hand with the private sector to create a state-of-the-art system that will keep pace with the needs of the nation and individual taxpayers," Cosgrave said.

"This is among the many important steps taken by Commissioner Rossotti and the IRS management team to build a modernized IRS," said Treasury Secretary Robert Rubin. "These efforts will begin to transform business technology and fully integrate IRS systems and management."

The Prime contractor could work with the IRS for 10-15 years to anchor the sweeping technology modernization project.

Computer Sciences leads the winning team, which includes Northrup Grumman, KPMG Peat Marwick, UNISYS, IBM, Lucent Technologies and SAIC.

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"This was a tough decision to make, but we felt this group offered the best match for what we need for such an important endeavor," Cosgrave said.

A team headed by Lockheed Martin also competed for the Prime contract. Cosgrave noted the IRS has several other ongoing projects with Lockheed Martin, and he said he looks forward to continuing that productive working relationship in the future.

The award culminates more than a year of preparation. During the past six months, IRS administrators pored over the contract proposals.

During the next six months, the Prime contractor and the IRS will work together to start putting the technology modernization project in motion. Their initial agenda includes refining the management structure and putting the pieces in place for the project's early stages.

"This technology modernization project won't happen overnight, but it will ultimately be a springboard for us to provide top-flight taxpayer service," Rossotti said. "In many areas, improved service hinges directly on replacing outdated technology."

Following the six-month start-up period, work on the first technology projects will get underway. Some of the early projects targeted for work in 1999 and 2000 include:

- Improving service for people contacting the IRS by phone or the Internet. Better technology will give taxpayers better and quicker access to tax topics, tax forms and IRS Customer Service representatives.

- Expanding projects involving Electronic Tax Administration, including more electronic tax-filing capabilities and more access to paying taxes electronically.

- Designing a new generation of work stations that allow IRS workers to quickly retrieve tax records electronically while guaranteeing the security and privacy of taxpayers.

"In time, this project will touch on every facet of the IRS," Cosgrave said. "It will cover everything from updating our core data systems for tax records to helping process taxpayer refund checks."

Rossotti emphasized that it will take time for the full technological benefits to emerge.

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"This is a massive job we are about to undertake," Rossotti said. "People shouldn't expect to see changes from this project immediately. But for the long term, it will replace inefficient technology from the 1960s with systems that will improve service to the taxpayers and the nation."

The project will provide the technological foundation to assist the restructuring of the IRS into four operating divisions, which is designed to improve service to taxpayers.

"The technology modernization program will directly support the revamping of all IRS business operations," Rossotti said.

The total cost for the Prime contract's lifespan has not yet been determined. For the project's first six months, the IRS has set aside $10.5 million. In addition, Congress has $506 million in a special Information Technology Investment Account that the IRS plans to use for the initial stages of the Prime contract.

Cosgrave and Rossotti emphasized that each part of the multi-pronged project will be carefully evaluated for business benefits, technological risks and potential cost before being given the green light to proceed. An IRS executive steering committee will oversee the process.

"We want to do this carefully; we want to do this right," Rossotti said.

Spearheading the project will be Cosgrave, who joined the IRS team in July. He brings 25 years of private-sector experience with managing large-scale technology programs. Cosgrave also has recruited several senior technology executives to strengthen IRS technology management.

"Overhauling our system is a daunting task," Rossotti said. "But we have assembled a top-notch team of computer experts inside and outside the IRS to tackle this project. This marriage of the private and public sectors offers the best approach for our new computer systems."

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