COMMISSIONER

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

March 23, 2000

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MEMORANDUM FOR TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

FROM: Charles O. Rossotti
Commissioner of Internal Revenue

SUBJECT: Office of Treasury Inspector General for Tax Administration (TIGTA) Draft Letter Report – The Internal Revenue Service Should Improve Its Process to Ensure the Fiscal Year 1999 Performance Report Will Contain the Information Intended by the Congress

Thank you for the opportunity to respond to your draft letter report, "The Internal Revenue Service Should Improve Its Process to Ensure the Fiscal Year 1999 Performance Report Will Contain the Information Intended by the Congress." This report evaluated IRS' development of the Fiscal Year (FY) 1999 Annual Program Performance Report (APPR) as required by the Government Performance and Results Act (GPRA).

The draft letter report of March 16, 2000, questioned: (1) whether the operating functions were provided adequate instructions on preparing the APPR, and (2) if there was adequate verification and validation of the data compiled and method of collecting it to ensure that users could have confidence in the reported performance information. We agree with TIGTA's recommendation that the Office of Strategic Planning and Budgeting (SPB) should develop instructions for GPRA reporting that includes the entire annual budget cycle.

SPB's instructions for the FY 2001 Congressional Justification (CJ) improved on prior year instructions using a detailed template and example. The meeting with the operating functions to discuss the instructions greatly emphasized the importance of proper verification and validation of data. Currently, the IRS is developing and implementing a strategic planning process. Upon implementation, we expect to continually improve our budget preparation process and appreciate any recommendations from TIGTA.

We agree that it is crucial that data collected to measure performance are verified and validated before being included in the budget. Our operating functions worked a great deal on this and reported those efforts in the Appendices of the FY 2001 CJ. The IRS is reorganizing its headquarters

operations and will be establishing an office with the responsibility of overseeing the verification and validation of data. This anticipated office would conduct or have oversight of evaluations on the procedures used to collect the data.

TIGTA's recommendations are appreciated, however the report does not adequately discuss the timing issues faced by the IRS during the preparation of the FY 1999 APPR. The Director of Strategic Planning and Budgeting was not designated as the executive in charge of GPRA until November 1999, well into the preparation cycle. Additionally, the entire timeframe for the preparation of the FY 2001 CJ was postponed by the well documented delay of the Office of Management and Budget in completing final FY 2001 negotiations with the departments (delay was caused by late passage of FY 2000 appropriations). As such, Treasury did not distribute instructions for the FY 2001 CJ until January 3, 2000, almost 2 months after IRS began preparations.

My staff takes GPRA very seriously as evidenced by SPB's effort to provide guidance to the operating functions well before receiving guidance from the Department and welcomes TIGTA's suggestions for strengthening this process. The Attachment provides a detailed set of comments and proposed revisions. If you have any questions, please contact me or a member of your staff may call Sara Wachspress at (202) 622-8974.

Attachment

Attachment

Detailed Comments - The following represents our detailed comments to the draft letter report.

Page 2, First paragraph: "FY 2001 Congressional Justification report was due to be transmitted to Congress on February 7, 2000."

Since the TIGTA report is dated after February 7th and the budget was transmitted by February 7th, the phrase "due to be" should be deleted.

Page 3, Second paragraph: "a single set of authoritative instructions have not been fully developed and documented"

That statement is not entirely accurate. A complete set of instructions for the preparation of the FY 2001 Congressional Justification, including the preparation of the FY 1999 (APPR) was prepared by the Office of Strategic Planning and Budgeting. A kickoff meeting with budget contacts was held on December 1, 1999, at which time a discussion was held regarding the above instructions and we distributed further instructions, including a template for reporting on the verification and validation of data. Once the IRS reorganizes its headquarters operations, it will establish an office with a responsibility for overseeing the verification and validation of data. Afterwards, we anticipate that a more complete and timely set of instructions will be prepared and updated on an annual cycle.

Page 4, second bullet: "to discuss the December 17, 1999, deliverables"

There were two deliverables, December 17 and December 30, 1999. The November 23, 1999 memo from Kathleen Turco gave December 17 and December 30, 1999, as due dates for draft responses and final responses, respectively, for materials for the FY 2001 Congressional Justification.

Page 4, First paragraph: "the FY 1999 APPR, was to have been submitted to the Department of the Treasury on January 10, 2000."

There was no January 10, 2000 due date. The January 3rd Treasury instructions called for a January 14th draft submission, but this was later extended via email. All documents were submitted to the Treasury and OMB in a timely matter, culminating in the submission of the budget to Congress on February 7th. Due to government closings for snow days we obtained permission from Treasury to deliver the FY 2001 Budget later than the scheduled due date. IRS was the first bureau to submit its final CJ to Treasury.

Page 5, first full paragraph: "None of these offices had performed verification and validation on the data they planned to submit to Operations Planning."

We disagree with this statement. In the Appendices of the FY 2001 Budget, there is extensive information about the verification and validation process performed on each measure. As stated above, the IRS is reorganizing its headquarters operations. Once that process is complete, an office will be responsible for overseeing the data verification and validation process to increase the confidence in the data.