



Treasury Inspector General for Tax Administration Office of Audit

MAINFRAME COMPUTER PERFORMANCE IS BEING ACTIVELY MONITORED, BUT DEFINED-SERVICE AGREEMENTS AND SOFTWARE LICENSING CAN BE IMPROVED

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Highlights

Highlights of Report Number: 2011-20-074 to the Internal Revenue Service Chief Technology Officer.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) mainframe computing environment provides the processing for mission-critical tax processing systems. The IRS can improve management of the capacity and performance of its mainframe computers by formalizing performance measures in its defined-service agreements. There is also an opportunity for the IRS to realize cost savings in mainframe software contracts that are dependent upon the capacity of the International Business Machines Corporation (IBM) mainframe computers. If actions are not taken to renegotiate capacity-dependent software contracts, the IRS could incur unnecessary software costs.

WHY TIGTA DID THE AUDIT

This review is included in our Fiscal Year 2011 Annual Audit Plan and addresses the major management challenge of Modernization. The overall objective of this review was to evaluate the efficiency and effectiveness of the capacity and performance management of the IRS mainframe environment.

WHAT TIGTA FOUND

The IRS has incorporated Information Technology Infrastructure Library best practice principles into its mainframe capacity management policies and procedures. However, only four of 20 defined-service agreements included measurable performance metrics. Without a structure in place to measure and report actual performance relative to performance metric requirements, the IRS will be unable to verify and ensure that the quality of service provided by its mission-critical tax processing systems will meet the expectations of its customers and stakeholders.

TIGTA also determined that the IRS has an opportunity to realize cost savings in its software license costs that are dependent upon the capacity of its mainframe computers. If the IRS had changed its basis for

measuring the capacity of its IBM mainframes prior to a hardware upgrade in October 2010, it potentially could have saved more than \$580,000 in software license costs.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Associate Chief Information Officer, Enterprise Operations, include specific and measurable qualitative and quantitative metric measurements in the defined-service agreements and establish a method of reporting actual performance, relative to agreed-upon performance metric requirements, to business unit application owners. TIGTA also recommended that, to realize cost savings in mainframe software contracts, the Chief Technology Officer should change the method by which mainframe capacity is measured and attempt to renegotiate capacity-dependent contracts to achieve more favorable terms for the IRS.

In its response to the report, the IRS agreed with TIGTA's recommendations. The IRS plans to 1) develop and incorporate performance measures into defined services design, 2) establish a method of reporting actual performance achievements relative to agreed-upon performance metric requirements, 3) change the basis for measuring capacity of its IBM mainframe computers in future software upgrades, and 4) attempt to revise or restructure mainframe computer capacity-dependent software agreements for maximum efficiency. The IRS disagreed with TIGTA's \$580,358 outcome measure. TIGTA maintains the appropriateness of this measure.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2011reports/201120074fr.pdf>

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