

IT Systems & Revenue Management in Developing and Transition Economies

U.S. IRS: Modernization Experience (Income Tax)

USAID Fiscal Reform Project Workshop

Washington, DC
March 7, 2006

John C. Reece & Associates, LLC

Introduction....

Where Enterprise IT Needs to Be

- Productivity Leader**—achieving operational excellence consistently
- Improvements Innovator**—envisioning new value opportunities
- Proactive**—reaching outward & moving forward continuously
- Change agent**—implementing radical improvements universally
- Delivering**—setting & meeting high service commitments routinely
- Service & cost effective**—providing “more for less” increasingly
- New value champion**—promoting the vision & pushing it religiously
- Collaborator**—instituting sharing ubiquitously

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A Point-of-View....

Getting There—A New Value Proposition

TVO A Refreshed Perspective on IT Purposing *Most CIO's Today* *Their Real Opportunity*

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|---------------------------------------|---|
| • TCO is their primary focus | • New value creation —High operational effectiveness |
| • IT efficiency is paramount | • Operating Excellence —Mission maximization |
| • Budgets drive investments | • Resources Productivity —Most for least |
| • Technology is their principal issue | • Total Value from Operations (TVO) —Business processes, IT applications & all technology toolsets |

Objective: Maximize Individual Worker Effectiveness & Mission Achievement—Enterprise & Cross-Enterprise-wide

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IRS—The Barriers to TVO

- Multiple people focused & people driven beehives
- Huge multi-layered baronies—each with its own view of how things should not be changed
- Hide bound culture—keep doing it this way because we know it and we know it works
- Beloved stovepipes—that’s how you control your empire
- Lack of first-hand knowledge of the end-to-end opportunity—they simply don’t know the outcomes
- Huge complex, multi-patched “legacy” white elephant systems

IRS—So, “COR Took on the Beehives”

Creating a “new, friendlier” IRS

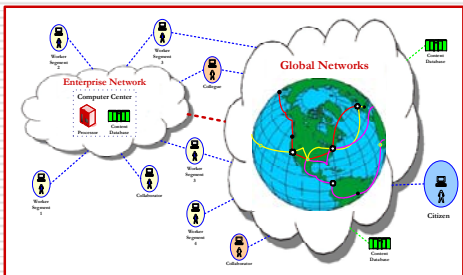
- Organization modernization
 - Centralized policy & enforcement
 - Taxpayer segmentation
- Balanced measures
- Business systems modernization
 - Process reengineering
 - New technology

IRS-Dimensioning the Change

Operational Approach

FACTOR	IRS BUSINESS SYSTEMS	
	EXISTING	MODERNIZED
• User Culture	Static-“me” centered	Dynamic-taxpayer centered
• Oversight	Soft	Intense
• Funding	Year-by-year	Program
• System Design	Event driven	Citizen needs driven
	People supported	Computer assisted
	Stovepiped	Fully integrated
	IRS needs only	States & other agency sharing
	IRS built	Integrated “best of breed”
• Security & Privacy	Bolled on	Fully integrated

IRS Future—Integrate Vertically & Horizontally



Why TVO Makes Sense

- IT exists as a tool to make the government operate more effectively—mission value added matters most
- Typically an unrecognized opportunity
- Enriches citizen service/reduces barriers to support
- Supports operational modernization & transformation
- Strengthens organizational performance
- Simplifies IT infrastructure
- Enhances taxpayer accessibility & value realization
- Enables inter-agency (supply chain) sharing
