

Subject: IRS: Our Meeting on December 06, 2001.

To: Dr. Lloyd A. Blanchard, PhD  
Associate Director  
Executive Office of the President  
Eisenhower Executive Office Building  
Washington, DC 20503

cc: Ms. Ursula S. Gillis  
Executive Office of the President  
Washington, DC 20503

Dear Dr. Blanchard,

I want to thank you and Ms. Gillis for taking the time to meet with me  
On December 6, 2001 at 4:30 PM regarding the issues of malfeasance and  
Sabotage of information system modernization at the IRS.

Although our meeting was short, lasting no more than twenty-five  
minutes, I am gratified someone in the Government did care enough. It is sad and  
ironic that no one in my own agency, the IRS, did not care to meet with  
me and entertain any discussions with me on matters of substance during the  
more than six years I spent there. Even more, in the light of the  
recent documents I had authored, copies of which had been provided to  
Commissioner Rossotti, no one has expressed any interest in meeting with me to  
Discuss how these problems can be corrected. Probably it is understandable if  
These illustrious folks are busily engaged in a massive cover up in their  
attemptsto portray "what is not" as what is, and "what is" as what is not.

You would have also noticed that in all my documents, I have not only  
identified the problems and flaws, I have actually proposed corrective  
solutions.

These documents I have authored, copies of which are already in your  
possession, detail how the information system modernization at the IRS  
has collapsed for the third or the fourth time-people have lost count. The  
prior efforts at modernization had cost the Federal Government (and thus  
the taxpayers) almost \$9 Billion dollars, give or take a Billion or two.

The current effort under Commissioner Rossotti has cost almost \$500  
Million--with nothing much to show for it. That leaves us with a loss of almost  
\$9.5 Billion. No, these are not my numbers. These numbers are  
documented in the GAO reports and in the newspaper articles.

The \$9.5 Billion loss to the Government is the "direct" cost. The Indirect or consequential loss of the failure of modernization is vastly much More than this mere \$9.5 Billion. The indirect cost to the Federal Government in terms of the taxes not collected due to unreported income, fraud, etc. Has been estimated to be anywhere from \$250 Billion to \$500 Billion PER YEAR.

Imagine if you will, if all these taxes were collected, would the Government run a deficit in the light of the new tragic developments due to the war In Afghanistan? May be President Bush can even justify the tax cuts he has proposed. The national debt that stands at \$5 Trillion can be wiped out at a much faster rate. Even more, senior citizens could be given prescription benefits. Or, give it to a worthy cause-me. I promise you, it will be wisely spent, not squandered.

These failures are NOT due to mistakes or errors in judgment. This is sabotage and malfeasance on a large scale through means subtle and gross.

Stupidity is not a crime. To be an idiot is not a crime. Not knowing something is not a crime.

What does one do when someone doesn't know something? They, if normal, go to someone who knows and seek help.

IRS is not H&R Block. It is an enforcement organization. It is not unreasonable to expect such an organization should be held to a higher standard of ethics.

We also discussed under what conditions I ended up working for the IRS. IRS hired me, along with a few others, because of the pressure from Congress that the IRS lacked technical managers and that the IRS needed to hire technical managers from the outside before Congress would authorize any new funding for modernization. The IRS old-boys' network failed to utilize me in any modernization related activities or projects.

Here is my background: Two Mater's degrees in Electrical Engineering, postgraduate studies in Mathematical Statistics and Operations Research at the George Washington University, almost thirty years industrial experience that includes the design of the fingerprint identification system for the FBI.

In response to your question, "What can we do?", we explored briefly the following avenues:

1. Freeze all modernization related activities and related expenditures

immediately until a thorough investigation is completed, thus preventing further hemorrhage and loss of money to the Government.

2. Refer the matter to the Department of Justice for a Grand Jury investigation so that evidence can be presented and examined under oath. You may submit my documents (minus my resignation letter addressed to The Commissioner) under your current possession as prima facie evidence. I Am prepared to provide additional evidence directly to the Grand Jury.

3. Convene a panel under the auspices of the National Academy of Sciences (NAS) or the National Academy of Engineering (NAE) under the proviso That the panel members shall have no current dealings with the Federal Government. This is to prevent the "Beltway Bandits" and the "Parkway Patriots" syndrome that afflicts the Federal Government. This panel Should examine and investigate all the current IRS' plans to modernize its information systems, their completeness, and validity. At the completion of the investigation, the panel should submit a comprehensive report to the Director of Management and Budget whether the current approach to modernization should be scrapped. The panel should also examine the qualifications of people engaged in modernization and their fitness to occupy these positions. The panel should be headed by someone such as Feynman, who headed the panel that investigated the Challenger disaster In 1986. It should be a no holds barred investigation. This task can be completed in three or at the most four weeks.

4. Form a new Division within the OMB. Its mission should be to monitor And investigate how the appropriated funds are being expended, instead of waiting till the end of the year when the agencies report their performance, if at all and if any-at which time it is too late to do anything other than saying "amen." The "Balanced Scorecard" is not enough. Agencies such as the IRS should be asked to submit monthly progress reports for scrutiny by the OMB on high risk, high value, high return programs. After all, an organization that generates \$2 Trillion in revenue should not be managed in this manner, whether in the private sector or in the public sector. The Inspector Generals Cannot do this job. Neither can the GAO. Usually, The GAO comes into the picture only after something goes terribly wrong. The OMB has to go beyond merely appropriating the money and parceling it out To the agencies to squander year-after-year.

For example, we briefly explored how the Request for Proposal (RFP) to procure the services of the PRIME Contractor was so shot with holes, but the IRS still went ahead anyway, precipitating the current fiasco, despite my pointing out the gross flaws in the RFP even way back in March 1998.

I urge you to read the documents I have provided you. If you have any questions at all, please do not hesitate to contact me. I will be more

than glad to explain and answer any questions you may have on any of these documents, because I hold myself accountable.

Things we did not get to discuss:

1. Nepotism at the IRS. Husbands, wives, sisters, brothers, in-laws, Boyfriends, girlfriends-well I am going to stop there. When you go into a meeting, you never know whom you are talking to, and the hidden agenda lurking beneath the surface. Close relatives should be forbidden from working for the same agency. Indeed, several private companies do exactly that. I used to work for Mobil Corporation. They refused to hire ANY relatives.

2. Hiring, appointments, and promotions governed by the same-old bunch, regardless of the qualifications and competence of the candidates, to the utter detriment of the organization. Using code words such as "Can he/she be trusted", the word "trusted" being used in its most perverse sense, namely, can he/she be trusted to sabotage modernization related activities, lie constructively and creatively, and not be caught. This is an insidious and surreptitious form of corruption.

3. The number of retirees working for the IRS' contractors, however unqualified they may be. Let us ask this question: If these people could not help the IRS modernize while they were employees of the Government, what makes anyone think that they can help the IRS modernize the IRS after they retire by becoming contractors or employees of the contractors? How is it the very next day after they retire they show up in the contractors' payroll walking around the IRS facilities, getting paid way, way beyond their qualifications? Maybe someone within the Government is pulling the strings for them telling the contractors in a subtle way unless their buddies are hired, the contractors' invoices may not be approved or the ability of these contractors to obtain additional work from the IRS may be in jeopardy.

4. Blackmail.

5. Lying to Congress.

I have barely scratched the surface.

In the light of the above, is it any surprise that the Federal Government cannot attract qualified candidates to staff its needs? Would anyone Highly qualified, committed to professional integrity and honesty, agree to Work for thugs? Even if they agree for the sake of money, will they last? Will they have any respect for the institutions that harbors and rewards Corrupt people?

Recently, there has been considerable talk about "attracting" qualified people to serve in the Government by reimbursing student loans, etc. Without correcting the aforementioned problems, that program will become part of the prevailing corruption. To whom do you think all that money will go? To friends, relatives, and buddies of these illustrious folks who brought you the information system modernization at the IRS.

I left with you my write up on Disaster Recovery at the IRS-IRS has none To date. I wrote that in 1995. You may wish to read that. It is just Three pages. That write up is part of a larger document that I produced, in Which I have explained how the IRS can accomplish disaster recovery and assure continuity of operations. To date, IRS has not implemented even remotely what can be called disaster recovery. The modernization initiatives do not address this issue at all. I have pointed this out in my memorandum addressed to Tom Lucas on the project called "CADE"-the Customer Account Data Engine and another memorandum on the e-services project. You Already have copies of those memoranda. What kind of "modernization" is this in The light of the recent terrorist activities?

If you can straighten out at least one agency-the IRS-it will be a significant accomplishment in your career.

Again, as I mentioned, you may wish to meet with me one more time so that I can answer any questions you may have. You may also wish to bring these matters to the attention of Secretary Daniels and even Vice President Cheney.

This is not Miller time. It is a Maalox moment.

With the best regards,  
N. Srinivasan.