



Background and Summary

The mission of the Internal Revenue Service (IRS) is to provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all. As stated in its Strategic Plan¹, the IRS must take advantage of technology to improve decision making, and to integrate technologies that enable more efficient mission delivery. Furthermore, the IRS Digitalization Strategy and the creation of the Enterprise Digitalization and Case Management Office (EDCMO) was commissioned by the Deputy Commissioner for Services and Enforcement and the Deputy Commissioner for Operations Support in July 2020 to address challenges associated with large volumes of paper at the IRS and align with key legislative mandates (including OMB M-19-21, *Transition to Electronic Records*). EDCMO will improve the IRS's use of data to reduce manual processes and reliance on paper while improving compliance operations and taxpayer service initiatives.

The purpose of Pilot IRS is to provide an incremental and modular approach to identifying, testing, and deploying solutions that support our mission, regardless of whether or not that solution, technology, or firm currently resides within the IRS or the federal government. Inherently, this process will represent some risk to the IRS, as the technologies may not currently be fully aligned to its mission; however, the IRS recognizes that risk is inherent to the operations of any organization, and acknowledges that it must sometimes accept risk in order to further its mission.

In order to achieve that purpose, Pilot IRS has established an approach where solicitations/calls and proposals/bids will be simple for firms to create and the IRS to evaluate, and decisions will be made in a streamlined and accelerated timeline. Multiple Solution Challenges (SCs) will be released under the broader Pilot IRS framework set forth within this document, each highlighting an area that the IRS would like to explore in greater detail (i.e., Scanning Paper Documents, Optical Character Recognition), and setting out specific phases for funding decision points for that SC.

In this version of Pilot IRS, the maximum dollar amount for each contract issued under the SC will be \$7.5 million dollars, across all funded phases within a given contract. Within this SC (digitalizing paper documents), phases will become longer and be funded in greater amounts as they progress.

It is important to note that future versions of Pilot IRS may include different maximum dollar amounts (higher or lower), for either phases, portfolios, or individual transactions. Rough scopes of work and funding ceilings for each phase will be established at the beginning of the Pilot IRS process, with the understanding that additional clarity will be established at the end of each preceding phase. In other words, the specifics of the work/cost for Phase 2 will be established as part of the work completed in Phase 1. Depending on results and mission priorities, the IRS will decide to fund all, some, or none of the projects at each phase; it is important to note that there is no guarantee for funding for planned/future phases.

Throughout the process, the IRS will post information regarding the outcomes, technologies and firms that have received funding; lessons learned; and potential IRS applications. This information will be publicly available and will not include any intellectual property or proprietary information. Any

¹ Full text of the IRS Strategic Plan can be found at <https://www.irs.gov/about-irs/irs-strategic-plan>.

solutions/technologies that complete an entire series of funding under Pilot IRS will be competed fully if additional effort or future deployment is desired by IRS.

Introduction and Goals

Introduction:

The federal government struggles at times with identifying ways to test, purchase, and deploy innovative technology solutions. A large function of this is how long it takes to not only purchase the actual solution, but also test it, provide feedback, and ultimately decide how (and whether) to deploy the solution. In other words, this is not simply a 'how quickly can we buy it' question, but also a 'how do we test it and decide whether or not to fund it for deployment' question. There are also times when the federal government prescribes a specific approach to a solution, and then asks who can do it best, and for the lowest price. This can limit innovation and is often not the best approach when looking for emerging technologies and how their inclusion can benefit the government and the American taxpayers.

Goals:

Pilot IRS has three goals: to 1) promote innovative responses to challenges; 2) broadly communicate areas of interest in the innovative solutions and technologies arena; and, 3) create a streamlined progression from concept to prototype, testing, and limited deployment that allows for incremental funding decisions for promising solutions and technologies.

Goal 1 - Promote Innovative Responses to IRS Challenges

Pilot IRS is predicated on the concept that a major hurdle to doing business with the federal government is a perceived (or otherwise) lack of pertinent information and a lack of direct and near-term feedback on technologies and proposals. In order to promote innovative responses to the challenges that the government faces, Pilot IRS will focus on providing information throughout the process regarding its requirements (to include direct engagement with various end-users), and providing direct feedback on proposals in a matter of weeks rather than months.

Goal 2 - Broadly Communicate Challenges and Technologies that Interest IRS

Prior to any funding decisions, Pilot IRS will broadly communicate the challenges it is facing, as well as any initial thoughts on promising solutions/technologies/approaches. Because of its mission, the federal government cannot share all of the information about how it addresses these challenges, but it can share more about its efforts so firms can make more informed decisions about whether and how to pursue business with the federal government. Throughout the entire process, the IRS will post information regarding the outcomes, lessons learned, and potential applications. This information will be publicly available and will not include any intellectual property or proprietary information.

Goal 3 - Streamlined Progression from Concept to Prototype, Testing, and Limited Deployment

A frequent problem within the federal government occurs, ironically, when a pilot technology/solution has been particularly successful within an agency. Federal procurement rules preclude (with some exceptions) identifying a particular technology or firm for funding based on a previous, separate contractual arrangement, regardless of how successful it may have been. By identifying streamlined submission/evaluation procedures and a structured progression from concept to prototype, testing, and limited deployment using phases, Pilot IRS seeks to avoid many of these issues.

The specific approach/process for each SC and its respective phases will vary, but in general, each phase will build on the previous one, and funding amounts and durations will increase as phases progress. Most SCs will include an initial brief written proposal with some proposals being selected for an oral presentation. Rough scopes of work and funding ceilings for all phases will be proposed during the initial response, with the understanding that additional clarity will be established at the end of each preceding phase. In other words, the specifics of the requirements/cost for Phase 2 will be established as

part of the work completed in Phase 1. Depending on results and mission priorities, the government will decide to fund all, some, or none of the project at each phase.

For those who are familiar with traditional government procurements, Pilot IRS will appear substantively different from how the government normally buys technology.

To be fair, it is.

This type of approach is more often used in research and development environments, but there are existing regulations that allow federal agencies to buy commercial items in a manner similar with how the private sector would. Pilot IRS will aggressively pursue a streamlined and cost-effective approach to testing and deploying technology solutions that will have an immediate impact on the government's mission.

Thank you for your interest, and welcome aboard.

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Solution Challenge (SC) Six: Digitalizing Paper Files

The IRS receives paper documents that can range from a single page to hundreds of pages in length. These documents are typically 8.5" by 11", but may be 8.5" by 14", single- or double-sided, typed or handwritten, and attachments may include dissimilar size documents or photographs. The documents may be bound; examples include, but are not limited to, two-prong metal fasteners, spiral bindings, rubber bands, binder clips, and staples. Documents may also include tabs, separators, and sticky notes.

This solicitation is for innovative solutions to digitalize paper documents and transmit the digital files back to the IRS via a digital channel. At times, this solution will be limited to scanning paper and transmitting digital files (*digitizing*). On other occasions, the solution may be expanded to extracting machine-readable data (*digitalizing*). The initial focus will be on scanning paper documents. The volume contemplated is significant, with the initial potential use case having upwards of 1 billion pages.

There are no specific solutions or approaches that are being requested; rather, any approach that is focused on the four goals of the solicitation will be considered.

The four goals of this SC are:

- 1) Receive, prepare, reproduce, sort, validate, store, return and transfer 300 and 400 dots per inch (DPI) Portable Document Format (PDF) (or comparable formats to be determined at a later date by the IRS, e.g., Extensible Markup Language (XML), etc.) digital copies of various sized paper records, pictures, and forms, potentially in very large volumes, with impeccable accuracy, high level of speed, and low levels of manual activity.²
- 2) Meet all IRS *Minimum Technical Digitization Specifications, Minimum Metadata Elements for IRS Records, and Minimum Quality Assurance, Control and Review Standards*. These standards can be found in the Attachment to RFP 2032H8-21-R-124899.
- 3) Interface and be compliant with IRS systems, cybersecurity requirements, hardware and software, etc. Interfaces and schemas included in potential solutions would need to be approved for use by the IRS Chief Information Officer.
- 4) Validate and report on the accuracy of scanned digital copies against the original records (paper etc.). Transfer the digital copies to downstream processes such as data extraction that may be hosted within IRS systems and/or third-party extraction solutions through industry standard interface mechanisms.

IRS will consider any reasonable approach or solution. No approach is preferred over another. When responding, please make sure to address all four SC goals.

Phases, Funding Levels and Deadlines:

Phases - There will be two (2) phases for this SC, as set forth below. It is important to note that the amounts/durations set forth below are Not to Exceed (NTE) amounts/durations. Additionally, the specific efforts and amounts for subsequent phases will be defined at the end of the current phase. In other words, the proposed duration and amount for Phase 2 will be part of the deliverables due at the

² Impeccable accuracy is defined in the Attachment to RFP 2032H8-21-R-124899 as three degrees or less skew and five percent or less speckle.

end of Phase 1.

Phase 1 – Testing and Pilot/Initial Deployment (NTE \$200K / 180 days)

=> Phase 1 will consist of a demonstration of the ability of the solution to provide high-resolution scans and to transfer them to the IRS through secure digital channels. This shall include, but not be limited to, sharing documentation that describes the Solution Architecture and Design of the proposed solution.

While the contractor is obtaining the necessary security and information technology clearances, the IRS will provide publicly available forms or representational data for the solution. Once contractor personnel are cleared, the project will focus on scanning *United States Gift (and Generation-Skipping) Tax Returns*³ (Form 709). At this point, the IRS will provide firms the actual paper-filed documents (tax returns and attachments). The IRS seeks to maximize throughput while meeting the four SC goals and underlying standards.

Contractor will provide all preparation work prior to scanning. Contractor must demonstrate impeccable quality assurance and integrity of the scanned files (see Appendices A-C for related standards).

Phase 1 will also consist of successfully transmitting scanned documents to the IRS via digital channels. The contractor will need to demonstrate strict adherence to cybersecurity requirements and Federal Tax Information (FTI) safeguarding measures.

Phase 1 will also include initial and limited user feedback on the solution, as well as discussions around and demonstrations of Return on Investment (ROI) or value proposition. Initial user feedback may be obtained from users from different IRS offices.

It should be noted that a primary determinant of the solution(s) that is selected for Phase 2 funding will be the ability to efficiently scan documents and engage with IRS digital channels to transmit the scanned documents, while providing detailed cost per page and per document information and expected time to completion based upon the testing sample size provided during Phase 1. ROI is critical for the determination of Phase 2 awards, as the volume of documents to be converted is substantial.

=> If selected, a contract action for Phase 1 funding will be provided no more than 30 calendar days after selection. Selections and funding for Phase 2 will be made within 5 calendar days from the end of Phase 1. Specific deliverables for Phase 2 funding will be based upon the proposed solution, but a standard deliverable for all Phase 1 projects will be a Phase 2 proposal.

Phase 2 – Deployment (NTE \$7.3M / 4.5 years)

=> Phase 2 will focus on scaling the scanning solution and transmission of documents to encompass a significant volume of paper documents. A key component of Phase 2 will be leveraging efficiencies to timely handle the significant scanning workload. Specifics of the Phase 2 efforts, duration, and amounts will be required at the end of Phase 1.

³ <https://www.irs.gov/pub/irs-pdf/f709.pdf>

=> As Phase 2 will occur over a longer duration, part of the Phase 2 proposal will focus on appropriate increments/funding amounts (i.e., 6 months, \$750,000) based on the proposed solution, which will be tied directly to option periods. Additionally, the IRS reserves the right to expand the solution to other systems/use cases within the IRS, as well as scale the solution to other Treasury Bureaus or Federal Agencies. Decisions on whether to continue funding within Phase 2 (i.e., exercise individual option periods) will be based on the success of the proposed solution relative to the goals of this SC.

Deadlines – Proposals are due **Wednesday July 28, 2021 at 08:00AM EDT**. No late submissions will be accepted or considered or evaluated. IRS expects to provide approximately \$1M in FY21 funding across all solutions for Phase 1 (in other words, we expect to see 3 to 5 Phase 1 awards).

=> Responses to the call will be evaluated in two stages. Stage 1 will be a written proposal (no more than 5 pages in length) and should address the technical aspects and underpinnings of the proposed solution, experience in comparable efforts, flexibility of the solution in addressing different forms, structures/formats, and methods of calculating ROI or demonstrating value proposition. Proposals will be evaluated in terms of technical, past performance, and price, relative to how they address the goals of this SC. Although engagement with the user will be ongoing throughout Phase 1, specific needs/support for government personnel (i.e., weekly status meetings) and assumptions should be outlined in the response. **Technical and price proposals shall be submitted as two separate documents.** Acceptable formats are PDF, Word, and Excel. The 5-page proposal limit applies only to the Technical portion of the proposal. Technical proposals shall include a description of the Solution Architecture and Design of the proposed solution. Price proposals must include pricing for all contract phases/periods identified within this solicitation. However, a detailed breakdown of the price elements is not required. Past performance will be evaluated by the Government; references are not required.

=> Based on these written submissions, IRS will select responses for Stage 2, oral presentation or pitch (virtual/over the phone, lasting 30 minutes), during which the IRS will ask questions and the respondent will present a funding level and duration, along with the general technical approach, ROI, etc. It is important to note that although these questions will be similar in concept, they will be dependent on the information provided; in other words, there will not be a 'standard' list of questions. If selected for Stage 2, presentations are anticipated to take place within 10 business days after the solicitation closing date. Award/funding decisions will be made after the completion of Stage 2.

Evaluation of Responses and Basis for Award:

The primary goals (intended use) of this SC are:

- 1) Receive, prepare, reproduce, sort, validate, store, return and transfer 300 and 400 dots per inch (DPI) Portable Document Format (PDF) (or comparable formats to be determined at a later date by the IRS, e.g., Extensible Markup Language (XML), etc.) digital copies of various sized paper records, pictures, and forms, potentially in very large volumes, with impeccable accuracy, high level of speed, and low levels of manual activity.
- 2) Meet all IRS *Minimum Technical Digitization Specifications, Minimum Metadata Elements for IRS Records, and Minimum Quality Assurance, Control and Review Standards*. These standards can be found in the Attachment to RFP 2032H8-21-R-124899.

- 3) Interface and be compliant with IRS systems, cybersecurity requirements, hardware and software, etc. Interfaces and schemas included in potential solutions would need to be approved for use by the IRS Chief Information Officer.
- 4) Validate and report on the accuracy of scanned digital copies against the original records (paper etc.). Transfer the digital copies to downstream processes such as data extraction that may be hosted within IRS systems and/or third-party extraction solutions through industry standard interface mechanisms.

The Government intends to make more than (1) Firm-Fixed-Price award resulting from this solicitation to the contractor(s) whose offer represents the best value to the Government. Comparative evaluations in accordance with Federal Acquisition Regulation (FAR) 13.106-2(b)(3) will be used to determine the best value based on: Technical (capability of the solution to meet the primary goals), Past Performance, and Price. For price evaluation purposes, the total evaluated price will include the base period and all option periods. Evaluation of option periods does not obligate the Government to exercise the option(s).

Some government procurements will include longer/greater maximum page limits, or adjectival ratings for a series of technical evaluation factors. Pilot IRS uses different, existing authorities in FAR Subparts 12.6 and 13.5 that govern federal procurement, and the ceiling for individual contracts within this SC have been increased to \$7.5M. Selections will be made based on realistic solutions that offer the greatest potential ROI, at the lowest potential cost with appropriate consideration given to the Technical, Past Performance, and Price.

Additional Terms and Conditions:

Although this solicitation aims to limit unnecessary terms and conditions, there are some which are part of virtually every federal procurement. Northern American Industry Classification System (NAICS) Code: 518210 - Data Processing, Hosting, and Related Services. Product Service Code (PSC) is: DA01 IT and Telecom—Business Application/Application Development Support Services.

Internet Protocol IPv6:

The contractor shall ensure all IT products and services are IPv6 compliant as specified by the National Institute of Standards and Technology (NIST) developed “A Profile for IPv6 in the U.S. Government – Version 1.0 (USGv6)”. This NIST Special Publication 500-267(NIST SP500-267) is available at <http://w3.antd.nist.gov/usgv6/index.html>.

Section 508 Standards:

Each information and communication technology (ICT) product or service furnished under this contract shall comply with the Information and Communication Technology Accessibility Standards (36 CFR, Appendix C to Part 1194). The appropriate Section 508 clause(s) will be incorporated via a contract modification based on the proposed solution.

System for Award Management (SAM):

Successful vendors not already registered in SAM will be required to register prior to award. All awardees shall be registered in SAM prior to award. If contractors are not registered in SAM, they will not be eligible for award. Information regarding SAM registration is available at <https://www.sam.gov>.

Reimbursement for Proposal Generation Costs:

The Government will not pay for any direct or indirect costs associated with generating responses to this solicitation/call, including travel costs associated with oral / in-person pitches.

Compliance:

If a response does not adequately address this SC or includes elaborate responses or extensive marketing materials that aren't relevant, the IRS will stop reviewing it and will NOT consider it for award.

Intellectual Property:

Currently, the IRS does not intend to request retention of any intellectual property resulting from or providing the basis for work under this SC, with the exception of the ability to continue using the solutions resulting from government funding. Notwithstanding, intellectual property terms are negotiable, and the IRS intends to use the results of this effort as broadly as they can, to include working with other Treasury bureaus and Federal Agencies to use the solution.

Press Releases:

All press releases must be approved by IRS prior to release. IRS will do its best to provide reviews within 2 business days.

Prohibition on Multiple Proposals

An Offeror shall submit a maximum of one (1) fully compliant proposal in response to the solicitation. Recognizing that the IRS is encouraging innovative solutions, the IRS will only consider one solution per offeror. If an Offeror submits more than one proposal, all proposals will be returned without evaluation since the IRS would have no basis upon which to determine which of the proposals the Offeror desired to have evaluated.

Standard Terms and Conditions:

See Clauses/Provisions Attachment. Clauses and Provisions are available publicly at www.acquisition.gov.

Note: Offerors shall submit a completed copy of the following clauses/provisions with their response to this solicitation. This submission of provisions and clauses does not count towards the 5-page technical proposal limit. The completed Clause/Provision attachment shall be submitted as a separate attachment from technical and price. If these are NOT received the proposal will NOT be considered for award:

- 52.204-24 Representation Regarding Certain Telecommunications and Video Surveillance Services or Equipment (Oct 2020)
- 52.209-5 Certification Regarding Responsibility Matters (Aug 2020)
- 52.209-11 Representation by Corporations Regarding Delinquent Tax Liability or a Felony Conviction under any Federal Law (Feb 2016)
- 52.212-3 Offeror Representations and Certifications- Commercial Items (Feb 2021)
- IR1052.209-9000 Notification-Organizational Conflicts of Interest (May 2018)
- IR1052.209-9001 Organizational Conflicts of Interest (May 2018)
- IR1052.209-9002 Notice and Consent to Disclose and Use of Taxpayer Return Information (May 2018)
- IR1052.232-9001 Electronic Invoicing and Payment Requirements for the Invoice Processing Platform (IPP) (Jul 2019)
- 1052.239-9010 Information System and Information Security Control Standards and Guidelines Applicability (Jun 2020)