

# GAO Highlights

Highlights of [GAO-17-395](#), a report to the Commissioner of Internal Revenue

## Why GAO Did This Study

The IRS has a demanding responsibility to collect taxes, process tax returns, and enforce the nation's tax laws. It relies extensively on computerized systems to support its financial and mission-related operations and on information security controls to protect the financial and sensitive taxpayer data that resides on those systems.

As part of its audit of IRS's fiscal year 2016 and 2015 financial statements, GAO assessed whether controls over key financial and tax processing systems were effective in ensuring the confidentiality, integrity, and availability of financial and sensitive taxpayer information. To do this, GAO examined IRS information security policies, plans, and procedures; tested controls over key financial applications; and interviewed key agency officials at four locations.

## What GAO Recommends

In addition to the prior recommendations that have not been implemented, GAO is recommending that IRS take 10 additional actions to more effectively implement security-related policies and plans. In a separate report with limited distribution, GAO is recommending 88 actions that IRS can take to address newly identified control deficiencies. In commenting on a draft of this report, IRS neither agreed nor disagreed with the recommendations, but stated that it would review each of the recommendations and ensure that its corrective actions include sustainable fixes that implement appropriate security controls.

View [GAO-17-395](#). For more information, contact Nancy R. Kingsbury at (202) 512-2700 or [kingsburyn@gao.gov](mailto:kingsburyn@gao.gov) or Gregory C. Wilshusen at (202) 512-6244 or [wilshuseng@gao.gov](mailto:wilshuseng@gao.gov).

July 2017

## INFORMATION SECURITY

# Control Deficiencies Continue to Limit IRS's Effectiveness in Protecting Sensitive Financial and Taxpayer Data

## What GAO Found

The Internal Revenue Service (IRS) made progress in addressing previously reported control deficiencies; however, continuing and newly identified control deficiencies limited the effectiveness of security controls for protecting the confidentiality, integrity, and availability of IRS's key financial and tax processing systems. During fiscal year 2016, IRS made improvements in access controls over a number of system administrator accounts and updated certain software to prevent exposure to known vulnerabilities. However, the agency did not always (1) limit or prevent unnecessary access to systems, (2) monitor system activities to reasonably assure compliance with security policies, (3) reasonably assure that software was supported by the vendor and was updated to protect against known vulnerabilities, (4) segregate incompatible duties, and (5) update system contingency plans to reflect changes to the operating environment.

An underlying reason for these control deficiencies is that IRS had not effectively implemented components of its information security program. The agency had a comprehensive framework for its program, including developing and documenting security plans; however, it did not fully implement other program components. For example, IRS did not always effectively manage information security risk or update certain policies and procedures. GAO has made recommendations to IRS to correct the identified security control deficiencies (see table). However, corrective actions for a number of the deficiencies have not been completed and the associated recommendations remained open at the conclusion of the audit of IRS's financial statements for fiscal year 2016.

**Status of GAO Information Security Recommendations to IRS for Correcting Control Deficiencies at the Conclusion of Fiscal Year 2016 Audit**

| Information security control area | Prior recommendations open at the beginning of FY 2016 audit | Recommendations closed at the end of FY 2016 audit | New recommendations resulting from FY 2016 audit | Total outstanding recommendations at the conclusion of FY 2016 audit |
|-----------------------------------|--|--|--|--|
| Access controls                   | 62   | (12)   | 70   | 120  |
| Other controls                    | 22   | (11)   | 21   | 32   |
| Information security program      | 10   | (3)  | 7  | 14   |
| <b>Total</b>                      | <b>94</b>  | <b>(26)</b>  | <b>98</b>  | <b>166</b>   |

Legend: FY = fiscal year

Source: GAO analysis of Internal Revenue Service (IRS) data. | [GAO-17-395](#)

Until IRS takes additional steps to address unresolved and newly-identified control deficiencies and effectively implements components of its information security program, its financial reporting and taxpayer data will remain unnecessarily vulnerable to inappropriate and undetected use, modification, or disclosure. These shortcomings were the basis for GAO's determination that IRS had a significant deficiency in internal control over financial reporting systems for fiscal year 2016.