



United States Government Accountability Office

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Before the Subcommittee on  
Government Operations, Committee on  
Oversight and Reform, House of  
Representatives

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# INFORMATION TECHNOLOGY

## IRS Needs to Address Operational Challenges and Opportunities to Improve Management

Statement of Vijay A. D'Souza,  
Director, Information Technology and Cybersecurity

# GAO Highlights

Highlights of [GAO-21-178T](#), a testimony before the Subcommittee on Government Operations, Committee on Oversight and Reform, House of Representatives

## Why GAO Did This Study

The IRS, a bureau of the Department of the Treasury, relies extensively on IT to annually collect more than \$3 trillion in taxes, distribute more than \$400 billion in refunds, and carry out its mission of providing service to America's taxpayers in meeting their tax obligations. This year, IRS also relied on IT to process and disburse economic impact payments totaling hundreds of billions of dollars to millions of Americans in accordance with the Coronavirus Aid, Relief, and Economic Security Act. IRS expects to spend \$3.2 billion on IT for fiscal year 2020.

GAO was asked to testify about IT management at IRS. Specifically, this testimony summarizes GAO's prior reports on IT challenges that IRS has faced in carrying out its operational responsibilities and on opportunities for the agency to improve the management of its IT investments.

To do so, GAO reviewed its previously issued reports identifying IT operational challenges and opportunities to improve the management of its systems, and incorporated information on the agency's actions in response to related recommendations.

## What GAO Recommends

GAO has made a number of recommendations to IRS to address IT challenges and needed improvements. While IRS has generally agreed with these, it still needs to implement the numerous critical recommendations that remain outstanding.

View [GAO-21-178T](#). For more information, contact Vijay D'Souza at (202) 512-6240 or [dsouzav@gao.gov](mailto:dsouzav@gao.gov).

October 7, 2020

## INFORMATION TECHNOLOGY

### IRS Needs to Address Operational Challenges and Opportunities to Improve Management

#### What GAO Found

Information technology (IT) operational challenges have hampered the Internal Revenue Service's (IRS) ability to effectively carry out its responsibilities. For example:

- In May 2020, GAO reported that new and continuing deficiencies in information system security controls over financial and tax processing systems included deficiencies related to access controls, segregation of duties, and other areas. These collectively represented a significant deficiency in risks of unauthorized access to, modification of, or disclosure of financial reporting and taxpayer data and disruption of critical operations. GAO made 18 new recommendations to address these deficiencies, bringing the total number of GAO cybersecurity recommendations that IRS has not yet implemented to 132.
- A January 2020 GAO report stated that customer service representatives and frontline managers reported frequently experiencing computer problems that adversely affected their ability to serve taxpayers. Specifically, they reported their computers freezing or taking excessive time to reboot. These computer problems could cause phone calls to disconnect before taxpayer issues were resolved, which required taxpayers to call back and wait in the queue again. GAO recommended that IRS address this challenge; IRS now has actions underway to implement GAO's recommendation.

GAO has also issued several reports identifying numerous opportunities for the IRS to improve the management of its IT investments. IRS has addressed some of the related recommendations but other important ones are not yet implemented. For example:

- In June 2018, GAO reported that IRS had not fully implemented key risk management practices for three mission critical systems facing significant risks due to their reliance on legacy programming languages, outdated hardware, and a shortage of human resources with needed skills. For example, for one of the systems, the more than 50-year old Individual Master File, IRS was using assembly language and Computer Business Oriented Language (COBOL)—languages that were both developed in the 1950s. As a result of these and other findings in its report, GAO made 21 recommendations to IRS. As of September 2020, IRS had implemented three of the 21 recommendations.
- In June 2016, GAO reported that IRS had established IT investment priorities that supported two types of activities—operations and modernization. While IRS had developed a process for prioritizing operations activities, it did not have such a process for modernization. Accordingly, GAO recommended that IRS develop this process to better assure Congress and other decision makers that the highest priorities are funded. In September 2020, the agency told GAO that it expected to implement this process for the fiscal year 2022 budget cycle.

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Chairman Connolly, Ranking Member Hice, and Members of the Subcommittee:

I am pleased to be here today to discuss the management of information technology (IT) at the Internal Revenue Service (IRS). IRS relies extensively on IT to annually collect more than \$3 trillion in taxes, distribute more than \$400 billion in refunds, and carry out its mission of providing service to America's taxpayers in meeting their tax obligations. For fiscal year 2020, the agency expects to spend approximately \$3.2 billion for IT investments, including \$2.6 billion, or 82 percent, for operational systems, and approximately \$576 million, or 18 percent, for development, modernization, and enhancement.

This year, in addition to fulfilling its usual responsibilities, IRS was charged with distributing millions of economic impact payments to individuals and households in accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and implement other provisions to provide emergency assistance for individuals, families, and businesses affected by the COVID-19 pandemic.<sup>1</sup> IRS relied on IT to help address this responsibility and, as of July 31, 2020, the Department of Treasury (Treasury) and IRS had processed and disbursed 163.9 million payments totaling \$273.5 billion.<sup>2</sup>

As you know, the effective and efficient acquisition and management of IT investments has been a long-standing challenge in the federal government. For this reason, we added improving the management of IT acquisitions and operations to our high-risk areas for the federal government in February 2015.<sup>3</sup> Further, as was highlighted in a hearing

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<sup>1</sup>Pub. L. No. 116-136, § 2201(a), 134 Stat. 281,336–37 (codified at 26 U.S.C. § 6428).

<sup>2</sup>GAO, *COVID-19: Federal Efforts Could Be Strengthened by Timely and Concerted Actions*, [GAO-20-701](#) (Washington, D.C.: Sept. 21, 2020).

<sup>3</sup>GAO, *High-Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: Feb. 11, 2015). GAO's high-risk program identifies government operations with vulnerabilities to fraud, waste, abuse, and mismanagement, or in need of transformation to address economy, efficiency, or effectiveness challenges. Every 2 years, we issue an update that describes the status of these high-risk areas and actions that are still needed to assure further progress, and identifies new high-risk areas needing attention by Congress and the executive branch. Financial benefits to the federal government due to progress in addressing high-risk areas from fiscal years 2006 through 2018 totaled nearly \$350 billion.

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held before your committee in July 2020, the pandemic has exacerbated these challenges.

As agreed with your office, my statement today summarizes a number of our previously issued reports that have highlighted IT operational challenges at IRS and opportunities for the agency to improve the management of its IT investments.<sup>4</sup> In developing this testimony, we reviewed our previously issued reports identifying IT operational challenges at IRS and on IRS's efforts to modernize its systems. We also incorporated information on the agency's actions in response to recommendations we made in these previous reports. The reports cited throughout this statement include detailed information on the scope and methodology of our prior reviews.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

The mission of the IRS, a bureau within the Treasury, is to provide America's taxpayers with top quality service by helping them understand and meet their tax responsibilities; and to enforce the tax law with integrity and fairness to all. In carrying out its mission, IRS annually collects over \$3 trillion in taxes from millions of taxpayers, and manages the distribution of over \$400 billion in refunds.

In March 2020, the CARES Act was enacted into law to provide emergency assistance and health care response to individuals, households, and families affected by the COVID-19 pandemic.<sup>5</sup> Among

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<sup>4</sup>See for example, GAO, *Information Technology, IRS Needs to Take Additional Actions to Address Significant Risks to Tax Processing*, [GAO-18-298](#) (Washington, D.C.: June 28, 2018); *Information Technology: Management Attention Is Needed to Successfully Modernize Tax Processing Systems*, [GAO-18-153T](#) (Washington, D.C.: Oct. 4, 2017); *Information Technology: IRS Needs to Improve Its Processes for Prioritizing and Reporting Performance of Investments*, [GAO-16-545](#) (Washington, D.C.: June 29, 2016); and *Information Technology: Federal Agencies Need to Address Aging Legacy Systems*, [GAO-16-468](#) (Washington, D.C.: May 25, 2016).

<sup>5</sup>Pub. L. No. 116-136, 134 Stat. 281 (2020).

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other things, the act included a provision for IRS to distribute economic impact payments to individuals. As previously noted, as of July 31, 2020, Treasury and IRS had processed and disbursed 163.9 million payments totaling \$273.5 billion.<sup>6</sup>

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## IRS Relies on IT Investments to Carry Out Its Mission and Responsibilities

IT plays a critical role in enabling IRS to carry out its mission and responsibilities. For example, the agency relies on information systems to process tax returns; account for tax revenues collected; send bills for taxes owed; issue refunds; assist in the selection of tax returns for audit; and provide telecommunications services for all business activities, including toll-free access to IRS customer service representatives for assistance with their tax filing questions. In addition, starting in April 2020, IRS relied on IT to process and disburse economic impact payments totaling hundreds of millions of dollars to address its responsibilities under the CARES Act.

We have previously reported on a number of the agency's mission critical IT investments supporting its tax processing responsibilities. These include the following modernization investments:

- Customer Account Data Engine 2 (CADE 2) is being developed to replace core functions of the Individual Master File investment—IRS's authoritative data source for individual tax account data which accounts for a large portion of tax processing activities.<sup>7</sup> CADE 2 data is also expected to be made available for access by downstream systems, such as the Integrated Data Retrieval System for online transaction processing by IRS customer service representatives. IRS expended \$100 million on this investment in fiscal year 2019. In September 2020, we identified CADE 2 as one of the federal government's critical IT acquisitions.<sup>8</sup>
- Enterprise Case Management is to provide an enterprise solution for performing case management across IRS's business units. According to the agency, its current case management systems provide limited visibility into case management practices among programs, and

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<sup>6</sup>GAO-20-701.

<sup>7</sup>IRS initially intended for CADE 2 to replace the Individual Master File investment. However, in May 2019, IRS told us that it had changed the scope of the investment to focus on modernizing only the most complex and critical aspects of the Individual Master File.

<sup>8</sup>GAO, *Information Technology: Key Attributes of Essential Federal Mission-Critical Acquisitions* GAO-20-249SP (Washington, D.C.: Sept. 8, 2020).

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cause process redundancies as well as multiple handoffs that can lead to, among other things, increased risks. Enterprise Case Management is expected to address these limitations. The agency reported spending \$60 million on the investment in fiscal year 2019.

We have also reported on the following operations and maintenance investments:

- End User Systems and Services (EUSS) provides desktops, laptops, mobile devices, software, incident management services, and asset management services to end users in IRS. The agency reported spending \$187 million on this investment in fiscal year 2019.
- The Individual Master File is IRS's system for processing individual taxpayer account data. The agency uses this system to update accounts, assess taxes, and generate refunds as required during each tax filing period. Virtually all IRS information system applications and processes depend on output, directly or indirectly, from this data source, and it was used as a key system for determining eligibility for making the economic impact payments to individuals. IRS uses assembly language code<sup>9</sup> and Common Business Oriented Language (COBOL),<sup>10</sup> languages that were developed in the late 1950s and early 1960s, to program this system, which began operation in the late 1960s. The agency reported spending \$19 million on the Individual Master File investment in fiscal year 2019.
- Mainframes and Servers Services and Support provides for the design, development, and deployment of server; middleware; and large systems and enterprise storage infrastructures, including supporting systems software products, databases, and operating systems. This investment has been operational since 1970. IRS reported spending \$559 million on this investment in fiscal year 2019.

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<sup>9</sup>As we reported in May 2016, assembly language code is a low-level computer language initially used in the 1950s. Programs written in assembly language are conservative of machine resources and quite fast; however, they are much more difficult to write and maintain than other languages. Programs written in assembly language may only run on the type of computer for which they were originally developed.

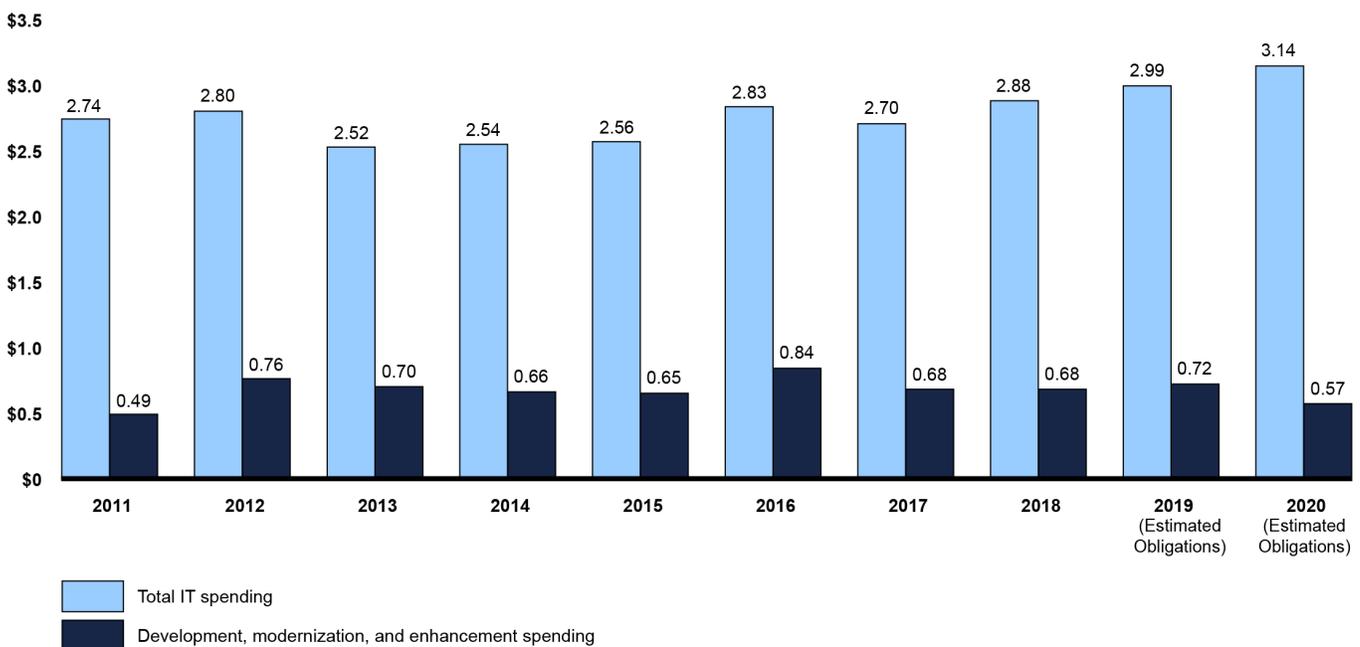
<sup>10</sup>COBOL, which was introduced in 1959, became the first widely used, high-level programming language for business applications. The Gartner Group, a leading IT research and advisory company, has reported that organizations using COBOL should consider replacing the language, as procurement and operating costs are expected to steadily rise, and because there is a decrease in people available with the proper skill sets to support the language.

- The Return Review Program is IRS’s primary system for fraud detection. As such, it supports the agency’s capabilities to detect, resolve, and prevent criminal and civil tax noncompliance. According to the agency, between January 2015 and September 11, 2019, the Return Review Program prevented over \$10.73 billion of revenue in confirmed fraud. The agency reported spending \$105 million on this investment in fiscal year 2019.

### IRS’s IT Spending Has Been Steady with a Slight Increase Over the Past 10 Years

As previously noted, IRS plans to spend approximately \$3.2 billion on IT investments during fiscal year 2020, including \$2.6 billion, or 82 percent, for operations and maintenance activities, and approximately \$576 million, or 18 percent, for development, modernization, and enhancement. The agency’s IT spending has been steady with a slight increase over the past 10 years, and a gradual decrease in development, modernization, and enhancement spending. Figure 1 shows IRS’s IT spending for fiscal years 2011 through 2020 (budgeted).

**Figure 1: IRS’s Information Technology Spending for Fiscal Years 2011 through 2020**



Source: GAO analysis of IRS budget documents. | GAO-21-178T

Note: Numbers are adjusted for inflation in 2019 dollars.

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## IRS Issued a Plan to Guide Its IT Modernization Efforts

In April 2019, IRS issued a plan to guide its IT modernization efforts through fiscal year 2024. This plan defined major categories of work necessary to transform the agency's technology and deliver a modernized taxpayer experience in support of its mission. Specifically, the plan identified a series of capabilities to be delivered for four categories of work known as modernization pillars—taxpayer experience, core taxpayer services and enforcement, modernized IRS operations, and cybersecurity and data protection. In addition, the plan defined two phases for delivering these capabilities; the first phase is scheduled to occur between fiscal years 2019 and 2021 and the second phase is scheduled to occur between fiscal years 2022 and 2024. IRS also stated that successful implementation of the plan depended on obtaining certain hiring flexibilities and multiyear funding at somewhat predictable levels.

The agency reports to Congress on the status of its modernization deliverables through quarterly reports summarizing accomplishments for the past quarter and plans for the upcoming quarter. We have work underway to examine IRS's performance against the goals established in its modernization plan.

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## IT Operational Challenges Have Hampered IRS's Ability to Effectively Carry Out its Responsibilities

We have reported that in recent years IRS has generally successfully implemented tax code changes. Nevertheless, we have identified some IT operational challenges which have hampered the agency's ability to effectively carry out its responsibilities. We have made recommendations to IRS to address these challenges and the agency is at various stages of implementing them. For example:

- In our May 2020 report summarizing our review of information system security controls in support of our audit of IRS's fiscal years 2019 and 2018 financial statements,<sup>11</sup> we noted new and continuing deficiencies in information system security controls. Specifically, we identified 11 new deficiencies in controls over certain financial and tax processing systems related to access controls, configuration management, segregation of duties, and information security management program controls. These new and continuing deficiencies collectively represented a significant deficiency in increased risk of unauthorized access to, modification of, or disclosure of financial reporting and taxpayer data and disruption of critical operations. We made 18 recommendations to address these

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<sup>11</sup>GAO, *Management Report: Improvements Are Needed to Enhance the Internal Revenue Service's Information System Security Controls*, [GAO-20-411R](#) (Washington, D.C.: May 13, 2020).

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deficiencies, bringing the total number of recommendations on deficiencies in information security controls that have not yet been implemented to 132. IRS agreed with our recommendations and stated its commitment to improving its financial management, internal controls, IT posture, and the overall effectiveness of its information systems controls.

- In our January 2020 report on IRS's performance for the 2019 filing season,<sup>12</sup> we noted that customer service representatives and frontline managers had frequently experienced issues with their computers that affected their ability to serve taxpayers. Specifically, 60 of 67 representatives and managers told us that they had frequently experienced computer problems, such as freezing or taking excessive time to reboot, or difficulty logging on. We observed these technical difficulties during our visits to IRS service centers. The representatives and managers noted that these problems had worsened with the installation of a new telephone system. They noted that these computer problems could cause phone calls to disconnect before the taxpayer's issues were resolved, thus, requiring the taxpayer to call back and wait in the queue again. We also reported that 25 customer service representatives had noted that they had limited technical support onsite and would ask their managers or others for support, if possible, or attempt to resolve problems on their own. IRS officials acknowledged the computer freezes and limited on-site support to address them and stated they were working to address the issues.

As a result of our findings, we recommended that IRS perform regular monitoring of fluctuations in system downtime charges, such as increases overall or by specific units, to determine what, if any, factors are interrupting customer service representatives' work. The agency generally agreed with our recommendation and stated that it has actions underway to implement it.

- In our February 2020 report summarizing our review of IRS's implementation of the business provisions of the Tax Cuts and Jobs Act,<sup>13</sup> we noted that IRS was not able to capture all tax return

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<sup>12</sup>GAO, *2019 Tax Filing: IRS Successfully Implemented Tax Law Changes but Needs to Improve Service for Taxpayers with Limited-English Proficiency*, [GAO-20-55](#) (Washington, D.C.: Jan. 15, 2020).

<sup>13</sup>GAO, *Tax Cuts And Jobs Act: Considerable Progress Made Implementing Business Provisions, but IRS Faces Administrative and Compliance Challenges*, [GAO-20-103](#) (Washington, D.C.: Feb. 25, 2020). Pub. L. No. 115-97, 131 Stat. 2054 (2017) is commonly known as the Tax Cut and Jobs Act of 2017.

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information in Extensible Markup Language (XML) format—a format that allows for greater accessibility and analysis. Rather, the agency captured significant amounts of return information in Portable Document Format (PDF), which was challenging for officials to use for data analytics and trend analysis. One of the two business operating divisions in our review that was using the PDF data was taking steps to convert the data into a format that was more usable for compliance purposes. However, the other division had not reviewed the costs and benefits of converting PDF forms for its scope of work to determine which forms, if any, would be a good use of IRS resources to convert to XML format to help with compliance efforts.

Consequently, we recommended that this business operating division (1) identify the costs and benefits of retroactively transcribing certain taxpayer data and then (2) implement transcription based on this determination. IRS disagreed with these recommendations, stating that retroactively transcribing data is a resource-intensive, manual process. As of August 2020, the agency did not plan to take action on them. However, we believe that converting data in instances where the benefits outweigh the costs would better position IRS to more effectively and efficiently pursue its mission of ensuring taxpayer compliance.

- In our December 2019 report regarding online services,<sup>14</sup> we noted that IRS had established a goal to “modernize the taxpayer experience” in its April 2019 IT Modernization Plan. To do this, the agency proposed to develop new services, including delivering taxpayer notices electronically and modernizing online installment agreements, provided that IRS continued to receive the requested resources from Congress. However, we noted that IRS had not incorporated taxpayer input into its prioritization process for these new services because it prioritized services primarily based on their potential to benefit IRS’s operations or because they could be developed quickly. We pointed out that this was not consistent with the Office of Management and Budget’s (OMB) guidance which stated that new digital services should be designed around user needs with data-driven analysis influencing management and development decisions. In addition, we noted that IRS ran the risk of developing online services which may be of lower priority to taxpayers or that taxpayers would not utilize. Consequently, we recommended that the agency include taxpayer input as an element of its identification and

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<sup>14</sup>GAO, *Tax Administration: Taxpayer Input Could Strengthen IRS's Online Services*, [GAO-20-71](#) (Washington, D.C.: Dec. 19, 2019).

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prioritization process for new online services. IRS agreed with our recommendation and stated it has actions underway to implement it.

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## IRS Is At Various Stages of Implementing GAO's Recommendations to Improve Its IT Management

Over the past several years, we have reviewed IRS's efforts to manage its IT acquisitions and have identified areas of opportunity for improvements, including some which could address the IT operational challenges we have identified. As a result, we have made over 30 recommendations to the agency since 2016 aimed at reducing risk to IT management and implementing improvements. IRS has addressed some of the recommendations and is at various stages of implementing others. For example:

- In May 2016, we reported on legacy IT systems across the federal government, noting that these systems were becoming increasingly obsolete and that many of them used outdated software languages and hardware parts that were unsupported by the vendor.<sup>15</sup> As part of that work, we highlighted IRS's use of assembly language code and COBOL—a language developed in the late 1950s and early 1960s—to program its legacy systems.

We noted the need for agencies to move to more modern, maintainable languages, as appropriate and feasible. Further, we noted that a leading IT research and advisory company had reported that organizations using COBOL should consider replacing the language, and that there should be a shift in focus to using more modern languages for new products. We also pointed out that the use of COBOL presented challenges for agencies given that procurement and operating costs associated with this language would steadily rise, and because fewer people with the proper skill sets would be available to support the language.

Further, we reported that the Individual Master File was over 50 years old at that time and, although IRS was working to modernize it, the agency did not have a time frame for completing the modernization or replacement of the system. Thus, we recommended that Treasury direct its CIO to develop a plan to modernize or replace legacy systems, including time frames, activities to be performed, and

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<sup>15</sup>GAO, *Information Technology: Federal Agencies Need to Address Aging Legacy Systems*, [GAO-16-468](#) (Washington, D.C.: May 25, 2016).

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functions to be replaced or enhanced. The department had no comments on our recommendation.

As previously noted, IRS's CADE 2 investment is intended to replace core functions of the Individual Master File. However, as we recently reported,<sup>16</sup> IRS has not yet determined a time frame for completing the investment. In addition, in September 2020, IRS's Acting Chief Information Officer and Deputy Commissioner for Operations told us that IRS was in the initial stages of developing a strategy to fully replace and retire the Individual Master File.

- In June 2016, we reported that IRS had developed IT investment priorities, which supported two types of activities—operations and modernization.<sup>17</sup> For operations, IRS had developed priority groups such as: (1) critical business operations, infrastructure operations, and maintenance; and (2) delivery of essential tax administration/taxpayer services. We noted that IRS had developed a structured process for allocating funding to its operations activities consistent with best practices; however, it had not fully documented this process. For modernization, IRS had identified priorities for modernization activities, such as developing web applications to help reach IRS's future state vision; however, the agency did not have a structured process for its modernization activities.

We recommended that IRS develop and document its processes for prioritizing IT funding for both operations and modernization activities. The agency agreed with the recommendations and has since implemented one of them and taken steps to implement the other. Specifically, IRS documented its process for prioritizing its operations activities. Regarding modernization activities, in September 2020, IRS's Acting Chief Information Officer and Deputy Commissioner for Operations stated that the agency was developing and documenting a structured process for prioritizing modernization activities. These officials said that the agency expected to document the process by November 2020 and to implement it for the fiscal year 2022 budget cycle, to coincide with the start of phase 2 of the modernization plan.

- In June 2018, we reviewed the performance of selected IRS investments, the extent to which IRS had identified and taken steps to

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<sup>16</sup>[GAO-20-249SP](#).

<sup>17</sup>[GAO-16-545](#).

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address the risks associated with three mission critical legacy systems—the Individual Master File, Integrated Data Retrieval System, and Mainframes and Servers Services and Support—and IRS’s implementation of key IT workforce planning practices.<sup>18</sup> We found that the five selected investments in the operations and maintenance phase that we reviewed had performed internal qualitative assessments of performance as required by OMB; however, the analyses did not address all key factors, such as strategic and business results, specified in OMB guidance. Further, we reported that the three mission critical legacy systems faced significant risks due to their reliance on legacy programming languages, outdated hardware, and a shortage of human resources with needed skills. However, IRS had not fully implemented key risk management practices and may have been challenged in effectively mitigating risks to minimize their impact on the agency’s ability to carry out its mission. We also noted that, while IRS had initiated IT workforce planning efforts, including developing an inventory of the current IT workforce, it had not fully implemented any of the key IT workforce planning practices we had identified in prior work.<sup>19</sup>

As a result of these and other findings in our report, we made 21 recommendations to IRS. The agency did not agree or disagree with the recommendations, but said it would provide a plan for addressing each recommendation. As of September 2020, IRS had implemented three recommendations, including updating operational analyses for Integrated Data Retrieval System and Mainframe Servers and Support System and updating its risk management plan for the Mainframe Servers and Support System to account for identifying risk, as we had recommended. IRS had also taken steps to update its risk management plan to prepare, analyze, prioritize, and mitigate risks for several investments. Related to the IT workforce, in September 2020, IRS’s Acting Chief Information Officer and Deputy Commissioner for Operations Support told us that IRS had hired six technology leaders to support its IT modernization and online services programs using hiring flexibilities that Congress had recently granted the agency.<sup>20</sup>

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<sup>18</sup>[GAO-18-298](#).

<sup>19</sup>GAO, *IT Workforce: Key Practices Help Ensure Strong Integrated Program Teams; Selected Departments Need to Assess Skill Gaps*, [GAO-17-8](#) (Washington, D.C.: Nov. 30, 2016).

<sup>20</sup>These hiring flexibilities are known as “streamlined critical pay authority.”

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- In March 2019, in a review of enterprise-wide strategic workforce planning efforts, we reported that IRS's Human Capital Office had limited staffing capacity to hire employees in hard-to-fill positions, such as IT positions, which held risks for the agency's ability to implement the Tax Cuts and Jobs Act.<sup>21</sup> We reported that the agency was undertaking a variety of activities to improve its hiring capacity, but had not determined how each activity would be evaluated and would contribute to increased hiring capacity or associated outcomes. In addition, we noted that changes in the agency's hiring processes had been confusing to managers and had contributed to hiring delays. We also noted that clear guidance on hiring request requirements would better position IRS to avoid the risk of hiring delays for mission critical occupations. We acknowledged that the IT organization had taken steps to address skills needs by developing a skills and competency inventory of its workforce as noted above.

We made six recommendations to IRS that included implementing its delayed workforce planning initiative, evaluating actions to improve the agency's hiring capacity, and addressing changes in its processes that have contributed to hiring delays. The agency agreed with our recommendations. As of September 2020, IRS had implemented two of the recommendations and had taken steps to implement the remaining four.

In summary, given IRS's extensive reliance on IT to carry out its mission of providing service to America's taxpayers in meeting their tax obligations, it is important that the agency address the recommendations we have made to address the challenges and opportunities for improving the management of its IT investments we have identified in recent years. While the agency has implemented some recommendations, it has many more important ones that it still needs to address. Continued attention to implementing our recommendations will be vital to helping IRS ensure it is effectively carrying out its mission and responsibilities and managing its efforts to modernize its aging IT systems and ensure its multibillion dollar investment in IT is meeting the needs of the agency.

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<sup>21</sup>GAO, *Internal Revenue Service, Strategic Human Capital Management is Needed to Address Serious Risks to IRS's Mission*, [GAO-19-176](#) (Washington, D.C.: Mar. 26, 2019).

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Chairman Connolly, Ranking Member Hice, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have.

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## GAO Contacts and Staff Acknowledgments

If you or your staffs have any questions about this testimony, please contact me at (202) 512-6240 or at [dsouzav@gao.gov](mailto:dsouzav@gao.gov). Individuals who made key contributions to this testimony are Sabine Paul (Assistant Director), Shea Bader, Michael Bechetti, Roger Bracy, Heather Collins, Donna Epler, Rebecca Eyer, William Hutchinson, Melissa King, Lori Martinez (Analyst in Charge), Meredith Moles, Monica Perez-Nelson, and Erin Saunders-Rath.

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