INFORMATION TECHNOLOGY

Management Attention Is Needed to Successfully Modernize Tax Processing Systems

What GAO Found

GAO has issued a series of reports in recent years which have identified numerous opportunities for the Internal Revenue Service (IRS) to improve the management of its major acquisitions and operational, or legacy, information technology (IT) investments. For example,

- In June 2016, GAO reported that IRS had developed a structured process for allocating funding to its operations activities, consistent with best practices; however, GAO found that IRS did not have a similarly structured process for prioritizing modernization activities to which the agency allocated hundreds of millions of dollars for fiscal year 2016. Instead, IRS officials stated that they held discussions to determine the modernization efforts that were of highest priority to meet IRS’s future state vision and technology roadmap, and considered staffing resources and lifecycle stage. However, they did not use formal criteria for making final determinations. GAO concluded that establishing a structured process for prioritizing modernization activities would better assist Congress and other decision makers in ensuring that the right priorities are funded. Accordingly, GAO recommended that IRS establish, document, and implement policies and procedures for prioritizing modernization activities. IRS agreed with the recommendation and has efforts underway to address it.

- In a May 2016 report on legacy IT systems across the federal government, GAO noted that IRS used assembly language code to program key legacy systems. Assembly language code is a computer language initially used in the 1950s that is typically tied to the hardware for which it was developed; it has become difficult to code and maintain. One investment that used this language is IRS’s Individual Master File which serves as the authoritative data source for individual taxpayer accounts. GAO noted that, although IRS has been working to replace the Individual Master File, the bureau did not have time frames for its modernization or replacement. Therefore, GAO recommended that the Department of Treasury identify and plan to modernize and replace this legacy system, consistent with applicable guidance from the Office of Management and Budget. The department had no comments on the recommendation.

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. For fiscal year 2016, IRS expended approximately $2.7 billion for IT investments, 70 percent of which was allocated for operational systems.

GAO has long reported that the effective and efficient management of IT acquisitions and operational investments has been a challenge in the federal government. Accordingly, in February 2015, GAO introduced a new government-wide high-risk area, Improving the Management of IT Acquisitions and Operations. GAO has also reported on challenges IRS has faced in managing its IT acquisitions and operations, and identified opportunities for IRS to improve the management of these investments.

In light of these challenges, GAO was asked to testify about IT management at IRS. To do so, GAO summarized its prior work regarding IRS’s IT management, including the agency’s management of operational, or legacy, IT systems.

What GAO Recommends

GAO has made a number of recommendations to IRS to improve its management of IT acquisitions and operations. IRS has generally agreed with the recommendations and is in various stages of implementing them.

View GAO-18-153T. For more information, contact David A. Powner at (202) 512-9286 or pownerd@gao.gov.