

GAO Highlights

Highlights of [GAO-18-298](#), a report to congressional committees

Why GAO Did This Study

IRS relies extensively on IT investments 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 years 2016 and 2017, the agency reported spending approximately \$2.7 billion and \$2.6 billion, respectively, for IT investments.

GAO was asked to review IRS's IT operations. GAO's specific objectives were to (1) evaluate the performance of selected IRS IT investments, (2) summarize any risks associated with selected legacy systems and evaluate the steps the agency has taken to manage such risks, and (3) determine the extent to which IRS has implemented key IT workforce planning practices.

GAO analyzed planned versus actual performance information for nine selected investments for fiscal year 2016 and the first 2 quarters of fiscal year 2017—four in development and five in the operations and maintenance phase; identified risks facing three legacy investments and analyzed IRS's efforts to manage these risks against key practices; and analyzed IRS's IT workforce planning efforts against best practices.

What GAO Recommends

GAO recommends that IRS perform operational analyses consistent with guidance, implement key risk management practices, and fully implement key IT workforce planning practices. IRS did not agree or disagree with the recommendations, but said it would provide a plan for addressing each recommendation.

View [GAO-18-298](#). For more information, contact David A. Powner at (202) 512-9286 or pownerd@gao.gov.

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INFORMATION TECHNOLOGY

IRS Needs to Take Additional Actions to Address Significant Risks to Tax Processing

What GAO Found

The performance of the Internal Revenue Service's (IRS) selected information technology (IT) investments that GAO reviewed varied. Specifically, the four selected investments in the development phase that GAO reviewed spent less than planned, but most were behind schedule and delivered less scope than planned (see table below). In addition, the five selected investments in the operations and maintenance phase that GAO reviewed had performed internal qualitative assessments of performance as required by the Office of Management and Budget (OMB); however, none of the analyses addressed all key factors specified in OMB guidance.

Reported Performance of Selected Internal Revenue Service (IRS) Investments in Development during Fiscal Year 2016 and the First Two Quarters of Fiscal Year 2017

Investment name	Total budgeted cost of work performed (In millions)	Total actual cost of work performed (In millions)	Cost variance	Schedule variance	Percentage of planned scope delivered
Enterprise Case Management	\$31.8	\$30.3	Under budget 4.7%	Late -8.7%	91.3%
Customer Account Data Engine 2	\$35.0 ^a	\$31.0	Under budget 11.5%	Late -54.0%	46.0%
Return Review Program	\$78.8	\$49.3	Under budget 37.5%	Late -18.8%	81.2%
Affordable Care Act Administration	\$199.0	\$157.4	Under budget 20.9%	On time	n.d.

Source: GAO analysis of IRS data. | GAO-18-298

Notes: n.d. —no data tracked by the agency.

^aAccording to IRS, this represents the amount that was planned for development activities. Additional funding was expended for planning and design activities.

Three investments GAO reviewed in the operations and maintenance phase that are legacy investments—Individual Master File (IMF), Integrated Data Retrieval System (IDRS), and Mainframes and Servers Services and Support (MSSS)—are facing significant risks due to their reliance on legacy programming languages, outdated hardware, and a shortage of human resources with critical skills. For example, IRS reported that it used assembly language code and Common Business Oriented Language (both developed in the 1950s) for IMF and IDRS, which exposes these investments to a rise in procurement and operating costs, and a decrease in staff available with the proper skill sets. Further, MSSS relies on a significant amount of outdated hardware exposing the investment to rising warranty and maintenance fees, as well as equipment failures. Despite these risks, the agency has not fully implemented key risk management practices and may be challenged in mitigating risks effectively so that they do not impact the agency's ability to carry out its mission.

IRS has not yet fully implemented any of the key IT workforce planning practices GAO has previously identified. Specifically, the agency has developed a tool to automate the IT workforce planning process, but the tool is in the initial stages of implementation. IRS officials attributed the limited progress in implementing IT workforce planning practices to resource constraints and competing priorities. Nevertheless, until the agency fully implements these practices, it will continue to face challenges in assessing and addressing the gaps in knowledge and skills that are critical to the success of its key IT investments.