Why GAO Did This Report
In its 2001 performance and accountability report on the Department of the Treasury, GAO identified important tax systems modernization, border security, trade regulation, financial management, and other issues facing the department. The information GAO presents in this report is intended to help to sustain congressional attention and a departmental focus on continuing to make progress in addressing these challenges and ultimately overcoming them. This report is part of a special series of reports on governmentwide and agency-specific issues.

What Remains to Be Done
- **IRS**: Continue efforts to improve service, ensure compliance, maintain comparable performance measures, manage systems modernization, and implement effective computer security.
- **Customs**: Enhance evolving trade compliance program and implement new trade system through continuous improvement and effective resource management.
- **Financial Management**: Improve bureau operations, strengthen internal controls, ensure compliance with a key law, continue to improve debt collection, and strengthen computer security.

What GAO Found
The Department of the Treasury (Treasury) helps promote a stable economy, manages the government’s finances, and safeguards federal financial systems and our nation’s leaders. Given these multiple missions, Treasury and its components confront several performance and accountability challenges.

- **Internal Revenue Service (IRS)**: IRS is now halfway through a 10-year modernization effort to improve taxpayer service and better ensure compliance. IRS has made progress in laying a management foundation to improve its performance, including reorganizing into customer-focused operating divisions, bringing new computer systems online, and producing reliable year-end financial statements. However, IRS still faces challenges in improving compliance and collection, deploying major business systems, implementing new performance measures, developing reliable cost-based performance information, and securing its computer systems.

- **U.S. Customs Service**: In the aftermath of the 9/11 terrorist attacks, recent legislation established a new Department of Homeland Security that will absorb Customs. Regardless of this change, Customs is challenged to safeguard U.S. borders against the illegal entry of goods, including weapons of mass destruction, while efficiently regulating legitimate commercial activity. While some of Customs’s work to address these challenges cannot be discussed in this report due to its sensitive nature, two challenges Customs is working on include enhancing its trade compliance program and acquiring a new trade system.

- **Financial Management**: Treasury faces many challenges in improving its financial management systems and correcting internal control weaknesses, particularly at IRS and Customs. As the government’s fiscal agent, Treasury is also challenged to prepare reliable financial statements for the U.S. government, improve debt collection, and strengthen computer security controls at its Financial Management Service. Both the Treasury Department and IRS issued audited financial statements 6 weeks after the end of fiscal year 2002.