

GAO Highlights

Highlights of [GAO-13-835](#), a report to congressional committees.

Why GAO Did This Study

The financing of the federal government depends largely on IRS's ability to administer the tax laws, which includes providing service to taxpayers and enforcing the law to ensure everyone pays the taxes they owe. For fiscal year 2014, the President requested \$12.9 billion for IRS, an increase of 9 percent over fiscal year 2012 actual levels.

Because of the size of IRS's budget and the importance of its programs, GAO was asked to review the fiscal year 2014 budget request. In April and May 2013, GAO reported preliminary observations on IRS's budget. Among other things, this report assesses how IRS prioritizes new initiatives; steps IRS has taken to improve the PPACA cost estimate and the reporting transparency of the related IT investment; and the type of information available in the budget justification about major IT systems. To address these objectives, GAO reviewed the fiscal year 2014 budget justification, compared the updated PPACA cost estimate to GAO's *Cost Estimating and Assessment Guide*, and interviewed IRS Corporate Budget officials.

What GAO Recommends

GAO recommends that IRS improve budget formulation guidance for new initiatives; improve the accuracy and credibility of future updates to the PPACA cost estimate as well as report the related IT investment publicly; and consolidate major IT investment reporting. IRS agreed with three of GAO's four recommendations and agreed with the majority of the actions associated with improving the accuracy and credibility of the PPACA cost estimate.

View [GAO-13-835](#). For more information, contact James R. McTigue, (202) 512-9110, or mctiguej@gao.gov

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IRS 2014 BUDGET

Improvements Made to Budget Request and Cost Estimate, but Further Actions Needed

What GAO Found

For the fiscal year 2014 budget formulation process, the Internal Revenue Service (IRS) implemented a new process that uses templates to help screen, prioritize, and select new initiatives before detailed business cases are developed to support funding requests. The template information that GAO reviewed varied in detail and scope; for some, IRS guidance may have contributed to incomplete submissions to senior leadership. According to Office of Management and Budget *Circular A-94*, in order to evaluate and compare funding initiatives, decision-makers need to be aware of benefits, costs, and strategies related to achieving program goals. By improving guidance on the type of data to include, IRS could help ensure the templates are fully completed.

IRS significantly improved its Patient Protection and Affordable Care Act (PPACA) cost estimate. In particular, the December 2012 estimate is more comprehensive, reflecting the full life-cycle cost of the program—estimated at \$1.89 billion for fiscal year 2010 through 2026. A few areas of improvement remain, primarily regarding the accuracy and credibility of the cost estimate. For example, IRS showed how the December 2012 estimate differed from the previous estimate, but did not explain the factors that resulted in the variances. In addition, IRS did not obtain a second cost estimate that could be used to assess the reasonableness of the \$1.89 billion estimated program costs.

Overall Assessment of PPACA Cost Estimate Alignment with Best Practices

Best practice	October 2010 cost estimate	Updated December 2012 cost estimate
Comprehensive	○	●
Well documented	○	●
Accurate	○	○
Credible	○	○

Source: GAO analysis of IRS documentation.

Although the information technology (IT) systems for PPACA met dollar thresholds (as outlined in the Department of Treasury's guidance) as a major investment for public reporting, IRS did not report this as such. Officials told GAO they did not have time to prepare the information for the fiscal year 2014 budget justification, but plan to do so for fiscal year 2015. Until IRS publicly reports the IT systems for PPACA as a major investment, transparency about these systems' implementation and administration is limited.

Although IRS included new and useful information on its major IT investments in the budget justification (such as life-cycle costs) other important information (such as the start date and percent of life-cycle costs obligated) is reported elsewhere or must be calculated. IRS officials said they could consolidate this information for ease of review. Consolidating key budget and performance data would ensure Congress has comprehensive, easily accessible information on major IT investments to guide decisions.