

GAO Highlights

Highlights of [GAO-14-298](#), a report to congressional committees

Why GAO Did This Study

IRS relies extensively on IT systems to annually collect more than \$2 trillion in taxes, distribute more than \$300 billion in refunds, and carry out its mission of providing service to America's taxpayers in meeting their tax obligations. For fiscal year 2014, the agency's budget request is \$2.6 billion for IT. Given the size and significance of IRS's IT investments, and the challenges inherent in successfully delivering these complex IT systems, it is important that Congress be provided reliable cost, schedule, and scope information to assist with its oversight responsibilities.

Accordingly, GAO's objectives were to (1) summarize the reported cost and schedule performance for IRS's major IT investments and assess the reporting of the performance information (2) for selected investments, evaluate the reliability of reported cost and schedule variances; and (3) determine IRS's progress in implementing a quantitative measure of functionality delivered for projects. To address these objectives, GAO reviewed documentation, including monthly cost and schedule variance reports, and interviewed staff, including those from selected investments which are critical to IRS's mission.

What GAO Recommends

GAO is making recommendations for IRS to report more comprehensive and reliable cost and schedule information and improve the transparency of reported scope information for its major investments. IRS agreed with GAO's recommendations and stated it believed it had addressed one of them. GAO continues to believe further actions are needed.

View [GAO-14-298](#). For more information, contact David A. Powner at (202) 512-9286 or pownerd@gao.gov.

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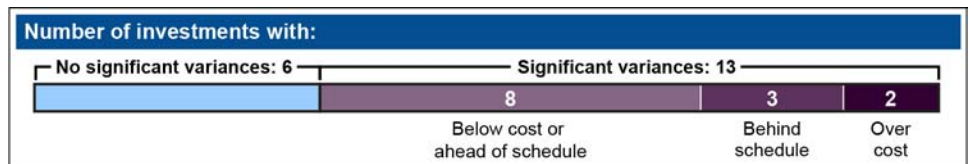
INFORMATION TECHNOLOGY

IRS Needs to Improve the Reliability and Transparency of Reported Investment Information

What GAO Found

According to the Internal Revenue Service (IRS), 6 of its 19 major information technology (IT) investments were within 10 percent of cost and schedule estimates during fiscal year 2013. The remaining 13 were reported as having significant cost and schedule variances for at least 1 month of the year. Specifically, IRS reported 8 investments as being below cost or ahead of schedule; 3 as behind schedule; and 2 as over cost (see figure). IRS reported a range of reasons for these variances, including cost savings from contract negotiations and scope deferrals for those below cost or ahead of schedule, and procurement delays for those behind schedule. It is important to note that the reported monthly cost and schedule variances are for the fiscal year only. IRS's reporting would be more meaningful if it were supplemented with cumulative cost and schedule variances for the investments or investment segments, consistent with the Office of Management and Budget's guidance for measuring progress towards meeting investment goals.

Summary of Investments with Significant Variances



Source: GAO analysis of IRS data.

The reported variances for six investments reviewed were not always reliable because the projected and actual cost and schedule amounts on which they depend were not consistently updated in accordance with OMB and Treasury reporting requirements. Specifically, projected amounts were not always updated on a monthly basis for in-process (i.e., ongoing) activities for a range of reasons; and actual information was not consistently updated for completed activities within the 60-day time frame required by Treasury guidance. Addressing these issues would help IRS improve the reliability of reported information and provide Congress with a more accurate report of the agency's performance in meeting cost and schedule goals.

IRS is currently not working on developing a quantitative measure of scope (i.e., functionality) as GAO recommended in June 2012 and does not plan on doing so, because it believes it is difficult to develop a single measure that would allow it to measure progress in delivering scope for the range of IRS's investments. However, the agency could develop measures using different methods as appropriate. In addition, IRS has started to include scope performance (in the functional performance section) in its quarterly reporting to Congress. However, this information does not include a quantitative measure of performance. In addition, it does not show how delivered scope compares to what was planned. Providing transparency into progress in delivering scope by reporting qualitatively in the congressional reports until a quantitative measure is developed would help IRS provide Congress a complete picture of the agency's performance in managing its major investments.