

GAO Highlights

Highlights of [GAO-16-545](#), a report to the Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate

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 2016, IRS planned to spend approximately \$2.7 billion for IT investments. Given the size and significance of these expenditures, it is important that Congress be provided information on agency funding priorities, the process for determining these priorities, and progress in completing key IT investments.

Accordingly, GAO's objectives were to (1) describe IRS's current IT investment priorities and assess IRS's process for determining these priorities, and (2) determine IRS's progress in implementing key IT investments.

To do so, GAO analyzed IRS's process for determining its fiscal year 2016 funding priorities, interviewed program officials, and analyzed performance information for six selected investments for fiscal year 2015 and the first quarter of 2016.

What GAO Recommends

GAO is recommending that IRS develop and document its processes for prioritizing IT funding and improve the calculation and reporting of investment performance information. IRS agreed with two recommendations regarding its prioritization processes, disagreed with one related to the calculation of performance information, and did not comment on one recommendation. GAO maintains all of the recommendations are warranted.

View [GAO-16-545](#). 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 Its Processes for Prioritizing and Reporting Performance of Investments

What GAO Found

The Internal Revenue Service (IRS) has developed information technology (IT) investment priorities for fiscal year 2016, which support two types of activities—operations and modernization. For example, it has developed priority groups for operations such as: (1) critical business operations, infrastructure operations, and maintenance; and (2) delivery of essential tax administration/taxpayer services. It has identified priorities for modernization, such as web applications, to help reach IRS's future state vision. However, while IRS has developed a structured process for allocating funding to its operations activities consistent with best practices, it has not fully documented this process. IRS officials stated this is because the process is relatively new and not yet stabilized. In addition, IRS does not have a structured process for its modernization activities, because, according to officials, there are fewer competing activities than for operations activities. Fully documenting a process for both operations support and modernization activities that is consistent with best practices would provide transparency and greater assurance it is consistently applied.

Of the six investments GAO reviewed, two investments—Foreign Account Tax Compliance Act and Return Review Program—provided complete and timely performance information for GAO's analyses. These investments performed under cost, with varying schedule performance, and delivered most planned scope (see table). However, IRS did not always use best practices for determining scope delivered. Specifically, IRS used a method inconsistent with best practices for determining the amount of work completed by its own staff.

Performance of Foreign Account Tax Compliance Act and Return Review Program during Fiscal Year 2015 and the First Quarter of Fiscal Year 2016

Investment name	Total budgeted costs (in millions)	Total actual costs (in millions)	Cost variance (in millions)	Schedule status	Percentage of planned scope delivered
Foreign Account Tax Compliance Act	\$64.1	\$51.7	\$12.4 (19.4%)	Late (-8.3%)	91.7%
Return Review Program	\$182.2	\$157.7	\$24.5 (13.4%)	On-Time (-0.1%)	99.9%

Source: GAO analysis of performance information from IRS's Investment Performance Tool. | GAO-16-545

Two other investments reported completing portions of their work on time and \$1.7 million under planned costs (for the Customer Account Data Engine 2), and on time and \$10.3 million under planned costs (for Affordable Care Act Administration). However, neither investment reported information on planned versus actual delivery of scope in accordance with best practices. The remaining two investments—Mainframes and Servers Services and Support and Telecommunications Systems and Support—generally met performance goals.