



Treasury Inspector General for Tax Administration Office of Audit

CHALLENGES CONTINUE WITH REPORTING COMPLETE AND ACCURATE INFORMATION IN THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT REMEDIATION PLAN

Issued on May, 31, 2011

Highlights

Highlights of Report Number: 2011-10-041 to the Internal Revenue Service Chief Financial Officer.

IMPACT ON TAXPAYERS

The Federal Financial Management Improvement Act (FFMIA) remediation plan is a critical part of the Internal Revenue Service's (IRS) efforts to bring its financial management systems into compliance with the FFMIA and to provide reliable and timely financial data. Overall, the IRS still faces significant challenges in its efforts to comply with the FFMIA. Complete and reliable financial information is critical to the IRS's ability to accurately report on the results of its operations to both internal and external stakeholders, including taxpayers.

WHY TIGTA DID THE AUDIT

The overall objectives of this review were to report to Congress, as required by the FFMIA, any instances of, and the reasons for, missed intermediate target dates established in the IRS's Fiscal Year 2010 FFMIA remediation plan and to determine whether the IRS has taken adequate corrective actions on prior audit findings related to the FFMIA remediation plan.

WHAT TIGTA FOUND

Our review of the IRS's September 30, 2010, FFMIA remediation plan found that the IRS did not include any remediation actions for its Customer Account Data Engine 2 (CADE 2). Because the CADE 2 is the key piece of the IRS's strategy to address its material weakness related to unpaid assessments, TIGTA believes these actions should be included in the remediation plan. The IRS was also unable to provide supporting documentation for certain resource estimates for the CADE 2, totaling \$697.2 million. Until the IRS updates its FFMIA remediation plan with actions related to the CADE 2 strategy, TIGTA will be unable to fully assess its overall progress in resolving noncompliance with its financial management systems.

The IRS continues to experience difficulty reporting complete and accurate resource estimates for several other actions included in its remediation plan. Specifically, TIGTA found four nonsecurity action items had no resource estimates included when the remediation plan was issued. The IRS estimated those resource costs should be \$694,000. Without appropriate estimates, the remediation actions could be delayed due to insufficient resources being available when needed. Complete and accurate remediation plan information is critical to ensure the IRS's financial systems are fully compliant with the FFMIA.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief Financial Officer: 1) ensure all necessary actions and costs associated with the implementation of the CADE 2 are included in future remediation plans; 2) ensure incomplete and/or unsupported information identified during our review of the IRS's September 30, 2010, FFMIA remediation plan is appropriately updated in future plans; and 3) reemphasize the need for IRS business units responsible for nonsecurity estimates to follow standard documentation requirements.

In their response, IRS officials agreed with two of our three recommendations. Management stated they have updated the Fiscal Year 2011 first and second quarter remediation plans with the required resource estimates. In addition, management agreed to reemphasize with all business owners the need to meet specific documentation standards when providing remediation plan estimates.

However, management disagreed that all necessary actions and costs associated with the implementation of the CADE 2 be included in the FFMIA remediation plan, but agreed to include the milestones and costs related to updating the financial systems to leverage the information from the CADE 2. TIGTA maintains the appropriateness of including the CADE 2 costs in the FFMIA remediation plan.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2011reports/201110041fr.pdf>

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