



## Treasury Inspector General for Tax Administration Office of Audit

### ANNUAL ASSESSMENT OF THE INTERNAL REVENUE SERVICE INFORMATION TECHNOLOGY PROGRAM

Issued on September 29, 2011

## Highlights

Highlights of Report Number: 2011-20-106 to the  
Internal Revenue Service Chief Technology Officer

### IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) relies extensively on its computer systems to carry out the responsibilities of administering our Nation's tax laws. As such, it must ensure its computer systems are effectively secured to protect financial and taxpayer data. The IRS also needs to ensure that it leverages technological advances to update its computer operations and improve customer satisfaction and that the computer systems supporting tax administration continue to operate efficiently and effectively.

### WHY TIGTA DID THE AUDIT

This audit was initiated as part of TIGTA's Fiscal Year 2011 Annual Audit Plan and addresses the major management challenges of Security and Modernization. TIGTA annually assesses and reports on the adequacy and security of IRS information technology, as required by the IRS Restructuring and Reform Act of 1998.

### WHAT TIGTA FOUND

The Business Systems Modernization Program (Modernization Program) is a complex effort to modernize IRS technology and related business practices. It involves integrating thousands of hardware and software components while replacing outdated technology and maintaining the current tax system. The IRS would not be able to deliver the Modernization Program without the support of the Cybersecurity and Enterprise Operations organizations.

The IRS's Fiscal Year 2011 financial plan for its Information Technology Program and operations remained relatively flat from its Fiscal Year 2010 budget of \$1.8 billion. The Fiscal Year 2011 financial plan included about \$264 million to go towards the Modernization Program. As of July 2011, the Modernization and Information Technology Services organization employed over 7,300 individuals.

Since last year's assessment, significant systems have been developed and implemented to improve the tax return processing environment, and additional improvements and upgrades are being developed and implemented. As such, TIGTA supports the IRS's request to downgrade the Modernization Program material weakness. However, computer security remains a material weakness, and the IRS needs to continue its emphasis and attention on becoming a security-conscious organization.

TIGTA also noted that the information technology operations program has implemented best practice principles, such as the Information Technology Infrastructure Library, designed to improve efficiency and effectiveness, and has taken action to improve the energy efficiency of its desktop computer equipment. While TIGTA is encouraged by these actions, the IRS has opportunities for making improvements and measuring its results.

### WHAT TIGTA RECOMMENDED

Because this was an assessment report of the IRS's Information Technology Program through Fiscal Year 2011, TIGTA did not offer any recommendations. IRS officials were provided an opportunity to review and comment on the report.

### 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/201120106fr.pdf>.