



Treasury Inspector General for Tax Administration Office of Audit

WHILE THE USE OF THE MODERNIZED E-FILE SYSTEM FOR INDIVIDUAL TAX RETURNS HAS INCREASED, THE LEGACY E-FILE SYSTEM IS STILL NEEDED AS A BACKUP

Issued on September 19, 2012

Highlights

Highlights of Report Number: 2012-40-116 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The IRS implemented the final phase of the transition from its existing electronic filing (e-file) platform, referred to as the Legacy e-File system, to the Modernized e-File (MeF) system during the 2012 Filing Season. The MeF system provides real-time processing of tax returns and extensions that will improve error detection, standardize business rules, and expedite acknowledgments. The MeF system will replace the Legacy e-File system as the primary e-filing platform during the 2013 Filing Season.

WHY TIGTA DID THE AUDIT

This audit was initiated because the IRS plans to fully replace the Legacy e-File system with the MeF system after the 2012 Filing Season. The objective of this review was to evaluate the continued implementation of the MeF system to determine whether individual income tax returns will be accurately and timely processed and whether sufficient progress is being made to replace the Legacy e-File system.

WHAT TIGTA FOUND

The MeF system has not shown that it can consistently process large volumes of tax returns for an extended period of time. Although the IRS significantly increased the volume of tax returns processed through the MeF system during the 2012 Filing Season, the volume of tax returns received was less than anticipated due to performance issues and programming errors.

Issues identified during pre-implementation testing are not always addressed prior to the filing season. In addition, processes used to validate and monitor the MeF system, including system business rules designed to validate basic requirements on a tax return, do not ensure the accuracy of processing individual tax forms and schedules. As a result, the IRS continues to have limited assurance that the MeF system is accurately and effectively processing individual tax returns.

Finally, transmitters reported additional burdens due to the restrictions placed on the use of the Legacy e-File system and were generally not satisfied with the performance of the MeF system.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS develop a comprehensive testing plan that ensures tax returns are accurately processed through the MeF system before it permanently retires the Legacy e-File system. The testing plan should include a review of all tax forms, schedules, and business rules applicable to individual tax returns processed through the MeF system and ensure that all programming issues identified during pre-implementation testing are addressed prior to the start of the filing season.

In their response to the report, IRS management agreed to enhance their testing procedures based on lessons learned. The IRS needs to take the steps necessary to ensure all conditions identified during its testing activities are addressed prior to the 2013 Filing Season.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2012reports/201240116fr.pdf>.

E-mail Address: TIGTACommunications@tigta.treas.gov

Website: <http://www.tigta.gov>

Phone Number: 202-622-6500