



Treasury Inspector General for Tax Administration Office of Audit

ANNUAL ASSESSMENT OF THE INTERNAL REVENUE SERVICE INFORMATION TECHNOLOGY PROGRAM

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Highlights

Highlights of Report Number: 2014-20-095 to the Internal Revenue Service Chief Technology Officer.

IMPACT ON TAXPAYERS

The IRS relies extensively on computerized systems to support its financial and mission-related operations. As such, it must ensure that its computer systems are effectively secured to protect sensitive financial and taxpayer data. In addition, successful modernization of IRS systems and the development and implementation of new information technology applications are necessary to meet evolving business needs and to enhance services provided to the American taxpayer. The IRS also needs to ensure that it leverages viable technological advances as it modernizes its major business systems and improves its overall operational environment. This includes ensuring that information technology solutions are cost effective and support mandatory Federal requirements and electronic tax administration goals.

WHY TIGTA DID THE AUDIT

TIGTA annually assesses and reports on an evaluation of the adequacy and security of IRS information technology as required by the IRS Restructuring and Reform Act of 1998. Our overall objective was to assess the progress of the IRS's Information Technology Program, including security, modernization, and operations for Fiscal Year 2014.

WHAT TIGTA FOUND

In 2014, the Government Accountability Office stated that shortcomings in the IRS's information security were the basis for its determination that the IRS had a significant deficiency in its internal control over its financial reporting systems for Fiscal Years 2012 and 2013. TIGTA's reviews in the information security area identified weaknesses in the enterprise information technology security program, the protection of Federal tax information, implementation of enterprise risk management, security issues with systems development activities, implementation of security solutions, and security of employees.

In the Modernization Program, the Customer Account Data Engine 2 database validation efforts were efficiently performed due to adequate planning and resource coordination, and a large percentage of the data fields were validated with automated data compare tools. However, TIGTA's reviews identified several issues that should be addressed to further strengthen the program including systems testing issues and requirements management process issues.

While several projects are currently on target regarding cost and schedule, other critical systems may be affected by budget limitations. TIGTA is also concerned that the IRS's existing fraud detection system may not be capable of identifying Affordable Care Act refund fraud or schemes prior to the issuance of tax refunds. As a result, TIGTA plans to continue oversight of this area.

Efficient and cost-effective management of information technology assets is crucial to ensuring that information technology services continue to support the IRS's business operations and help it to provide services to taxpayers efficiently. TIGTA's recent work involving the IRS's inventory management of mainframe and server software licenses and telecommunications equipment as well as the disposal of electronic equipment identified several opportunities for the IRS to achieve cost savings.

WHAT TIGTA RECOMMENDED

Because this was an assessment report of the IRS's Information Technology Program through Fiscal Year 2014, TIGTA did not make any recommendations. However, TIGTA provided recommendations to the IRS in the audit reports referenced throughout this report.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201420095fr.pdf>