



Treasury Inspector General for Tax Administration Office of Audit

THE INTERNAL REVENUE SERVICE IS IMPROVING MANAGEMENT CONTROLS FOR INFORMATION TECHNOLOGY STRATEGIC PLANNING AND CAPITAL INVESTMENTS

Issued on July 9, 2010

Highlights

Highlights of Report Number: 2010-20-064 to the Internal Revenue Service Chief Technology Officer.

IMPACT ON TAXPAYERS

The Internal Revenue Service's (IRS) Strategy and Capital Planning office focuses on IRS-wide information technology strategy and capital planning and investment controls. This office is improving its management controls for managing information technology investments at the IRS. Effective management of information technology products promotes efficient use of funds and helps to provide taxpayers the customer service they need from the IRS.

WHY TIGTA DID THE AUDIT

This audit was initiated as part of our Fiscal Year 2010 Annual Audit Plan and addresses the major management challenge of Modernization of the IRS. Our overall objective was to determine the effectiveness of the controls for the IRS' Capital Planning and Investment Control (CPIC) process to manage and control information technology investments.

WHAT TIGTA FOUND

The IRS recently merged its investment management activities into the Strategy and Capital Planning office. The Director, Strategy and Capital Planning, is completing the office charter, updating the CPIC Process Guide, developing desk guides for business cases and data calls, and identifying the steps for implementing a systematic investment selection, monitoring, and review process.

The IRS also provides appropriate information about its information technology investment status for the Office of Management and Budget's Information Technology Dashboard.

The Information Technology Investment Management Framework identifies and establishes critical information technology investment processes. It also assesses an organization's information technology investment management capability and maturity based on

five stages and offers recommendations for improvement. TIGTA reviewed the Strategy and Capital Planning office's self-assessment and concurred that the IRS was at Maturity Stage 2, which is building an investment foundation. The IRS is currently moving toward Maturity Stage 3, which is developing a complete investment portfolio.

The Clinger-Cohen Act requires each executive agency to design and implement a process for maximizing the value and assessing and managing the risk of the information technology acquisitions. Although the Strategy and Capital Planning office has implemented a CPIC process that generally meets the requirements of the Clinger-Cohen Act, its process does not address the requirement for identifying investments that would result in shared benefits or costs for other Federal agencies or State or local governments.

WHAT TIGTA RECOMMENDED

To ensure compliance with the Clinger-Cohen Act, TIGTA recommended that the Chief Technology Officer 1) identify applications in the information technology inventory that share benefits and costs with other Federal agencies or State or local governments and 2) establish a CPIC process for maximizing the value and assessing and managing the risk of these information technology acquisitions.

In its response to the report, the IRS agreed with our recommendations. The IRS plans to develop an information technology inventory of applications that share benefits and costs with other Federal agencies or State or local governments and to amend the CPIC process and guide documents to include the information relative to investments providing shared benefits.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2010reports/201020064fr.pdf>.

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