



Treasury Inspector General for Tax Administration Office of Audit

AN IMPROVED PROJECT MANAGEMENT PROCESS IS NEEDED TO MEASURE THE IMPACT OF RESEARCH EFFORTS ON TAX ADMINISTRATION

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Highlights

Highlights of Report Number: 2009-10-095 to the Director, Office of Research, Analysis, and Statistics.

IMPACT ON TAXPAYERS

Internal Revenue Service (IRS) management relies on research programs to deliver information that is integral to improving performance on strategic goals and objectives. However, IRS research management has not developed and implemented effective business measures and project management processes to provide pertinent data about whether IRS research efforts achieved established program objectives. This is especially significant because the IRS spent more than \$93.2 million on research in Fiscal Year 2008, but cannot effectively assess the impact its research efforts had on tax administration.

WHY TIGTA DID THE AUDIT

The objective of this review was to determine whether the structure and management of IRS research efforts can be improved when providing information to IRS executive management.

WHAT TIGTA FOUND

The IRS does not have a systemic process to measure research outcomes against intended results. Currently, the IRS primarily assesses the impact of its research by measuring customer satisfaction. However, customer satisfaction is not the most relevant and effective measure since it does not directly show whether IRS research projects contributed to the research programs' mission of providing information to support data-driven decisions by IRS management. As a result, IRS management cannot fully assess the impact of the research projects, and the associated \$93.2 million spent, on tax administration.

In addition, IRS project management processes were not adequate to ensure research project files and databases contain information to enable IRS management to more effectively monitor whether research is completed within established time/budget

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standards and assess its impact on improving taxpayer service, enhancing enforcement of the tax laws, and modernizing the IRS.

WHAT TIGTA RECOMMENDED

TIGTA recommended the Director, Office of Research, Analysis, and Statistics, coordinate with the Directors in each IRS research program to develop and implement effective business measures to better assess whether IRS research efforts achieve program objectives and to show the impact on tax administration. TIGTA also recommended establishing research standards and practices to ensure basic project information is captured, tracked, and monitored to allow for consistent and comparable reporting of IRS research performance.

In their response to the report, IRS management agreed in principle with our recommendations, but offered alternative corrective actions for all three recommendations. The Servicewide Research Council plans to consider developing appropriate business measures and explore whether standardized measures are desirable. The Council also plans to look for opportunities to develop consistent definitions of research projects and establish an appropriate set of documentation standards and practices. Some IRS research units were already in the process of developing workload measures and redesigning tracking systems.

While recognizing the value of having the Servicewide Research Council discuss the establishment of business measures, TIGTA is concerned that IRS management has not made a commitment to establishing business measures. The Servicewide Research Council serves as a forum for exchanging ideas and coordinating crosscutting activities, not as a standards-making body. The Internal Revenue Manual states the Office of Research, Analysis, and Statistics is responsible for providing functional leadership, guidance, and support to the IRS Research Community on research standards and practices to ensure consistency and comparability of performance between the various research programs.

In this environment of increased government accountability and transparency, TIGTA believes it is critical for IRS management to be able to report the benefits and impact of IRS research resources (\$93.2 million spent in Fiscal Year 2008) beyond just internal IRS customer satisfaction.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2009reports/200910095fr.pdf>.

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