



## Treasury Inspector General for Tax Administration Office of Audit

### STATUS OF IMPLEMENTATION OF THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

Issued on April 30, 2014

## Highlights

Highlights of Report Number: 2014-10-026 to the Internal Revenue Service Chief Financial Officer.

### IMPACT ON TAXPAYERS

The Federal Financial Management Improvement Act (FFMIA) remediation plan is a critical part of the IRS's efforts to bring its financial management systems into compliance with the FFMIA and to provide reliable and timely financial data. Complete and reliable financial information is critical to the IRS's ability to accurately report on the results of its operations to both internal and external stakeholders, including taxpayers.

### WHY TIGTA DID THE AUDIT

The overall objectives of this review were to identify any instances of and reasons for missed intermediate target dates established in the IRS's Fiscal Year 2013 FFMIA remediation plan and to determine whether the IRS has taken adequate corrective actions on prior audit findings related to the plan.

### WHAT TIGTA FOUND

The IRS has continued to take action on internal control weaknesses that affect its financial reporting. For example, the IRS closed seven of 11 open remediation actions during Fiscal Year 2013 and did not miss any intermediate target dates on its remediation plans related to the unpaid tax assessments material weakness. However, in December 2013, the Government Accountability Office reported that because of the material weakness in the IRS's internal controls over unpaid tax assessments and the associated system deficiencies, the IRS financial management systems did not comply with the Federal financial management systems requirements. The unpaid tax assessments material weakness affects the IRS's ability to accurately quantify the amount of unpaid tax assessments owed to the IRS.

IRS management advised TIGTA that they cannot determine when they will achieve compliance with the FFMIA because it is largely contingent on the implementation of the Customer Account Data Engine 2 (CADE 2). As TIGTA previously reported, the IRS has

not included any specific details related to the CADE 2 in its remediation plan. Because the IRS has indicated that the CADE 2 is a key piece of its strategy to address its material weakness related to unpaid tax assessments, TIGTA continues to believe CADE 2 implementation and associated cost estimates should be included in the remediation plan.

### WHAT TIGTA RECOMMENDED

TIGTA did not make any recommendations in this report. However, a discussion draft of the report was provided to the IRS for review and comment. In its response, the IRS stated that it is planning to reassess the November 2014 closing date for the unpaid assessments material weakness once the scope for the CADE 2 Transition State 2 has been determined.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201410026fr.pdf>

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