



## Treasury Inspector General for Tax Administration Office of Audit

### THE INTERNAL REVENUE SERVICE HAS EXTENDED ITS ESTIMATED FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT REMEDIATION DATE TO NOVEMBER 2020

Issued on August 25, 2015

## Highlights

Highlights of Report Number: 2015-10-065 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 Fiscal Year 2014 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 Government Accountability Office reported in 2014 that the IRS's financial systems currently do not provide the accurate and complete transaction-level financial information necessary to enable the IRS to reliably classify and report unpaid tax assessment balances in accordance with Federal accounting standards. Since TIGTA's last report on IRS compliance with the FFMIA, the IRS has made progress in addressing aspects of its FFMIA material weakness, but revised its FFMIA compliance date from 2014 to 2020. Specifically, the IRS anticipates that it will be unable to fully address the unpaid tax assessments material weakness until implementation of the Customer Account Data Engine 2 Transition State 2 (CADE 2 TS2) release plan in November 2020. Although this system is critical to FFMIA implementation, the IRS does not list remediation steps for the CADE 2 TS2 in its remediation plan because it does not consider the CADE 2 TS2 a financial system. As previously recommended, TIGTA continues

to believe that including implementation steps associated with the CADE 2 TS2 would improve the remediation plan.

While TIGTA has significant concerns about CADE 2 TS2 actions that are not included in the IRS's remediation plan, TIGTA found that the IRS did not miss any intermediate target dates for actions the IRS did include in its remediation plan. Also, the IRS included limited cost information in its remediation plans, and costs were not clearly linked to specific remediation actions.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief Financial Officer include in remediation plans detailed cost information associated with each corrective action. In their response to the report, IRS officials agreed with the recommendation and plan to include detailed cost estimates and link the actions to Government Accountability Office recommendations.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2015reports/201510065fr.pdf>.