Treasury Inspector General for Tax Administration
Office of Audit

PLANNING DECISIONS FOR CUSTOMER ACCOUNT DATA ENGINE 2 TRANSITION STATE 2 SHOULD BE EFFECTIVELY LINKED TO ACTIONS NEEDED TO ADDRESS THE INTERNAL REVENUE SERVICE'S FINANCIAL MATERIAL WEAKNESS

Issued on May 1, 2015

Highlights

Highlights of Report Number: 2015-20-031 to the Internal Revenue Service Chief Technology Officer and Chief Financial Officer.

IMPACT ON TAXPAYERS

Since 1993, the U.S. Government Accountability Office has reported a recurring financial material weakness in the IRS internal control over unpaid tax assessments. The Federal Financial Management Improvement Act of 1996 requires the IRS to complete a remediation plan to address material weaknesses that includes remedies (planned corrective actions), estimated and actual resources, and target dates to bring its financial systems into compliance.

WHY TIGTA DID THE AUDIT

The overall objective of this review was to evaluate the IRS's approach and progress toward developing system requirements that will address the IRS financial material weakness with Transition State 2 (TS2) of the Customer Account Data Engine 2 (CADE 2) system. TIGTA evaluated key milestones and progress for the IRS financial material weakness effort to ensure effective management and direction, determined the status of the preliminary financial system requirements for the financial material weakness effort under CADE 2 TS2, considered expected costs and benefits for CADE 2 TS2 associated with the financial material weakness, and identified and reviewed the key risk mitigation controls related to CADE 2 if it is considered a Federal financial management system.

WHAT TIGTA FOUND

The IRS is currently planning activities for CADE 2 TS2 to address the financial material weakness for individual taxpayer accounts. However, TIGTA is concerned that: (1) the IRS Remediation Plan does not include the CADE 2 TS2 actions for addressing the financial material weakness; (2) the cost estimates specific to CADE 2 TS2 activities for addressing the weakness are not in place; (3) a security strategy is needed to support CADE 2 TS2 development as an authoritative source of data; and (4) the current system classification for the CADE 2 does not provide sufficient guidance for TS2 activities for addressing the IRS financial material weakness.

WHAT TIGTA RECOMMENDED

TIGTA recommended that: (1) the planned TS2 actions and estimated costs for addressing the IRS financial material weakness be included in the IRS Remediation Plan; (2) accurate cost estimates are developed for the planned TS2 activities that align the information technology strategy with the business strategy to address the IRS financial material weakness; (3) complete cost information is captured in the IRS Remediation Plan; (4) a security strategy be established to support the CADE 2 TS2 Program and meet shared goals to protect sensitive systems and data; and (5) CADE 2 TS2 be classified within the OMB guidance to ensure that adequate internal controls for financial management systems are considered and designed into CADE 2.

The IRS agreed with one of the five recommendations. The IRS plans to develop CADE 2 TS2 Basis of Estimate costs by September 2015. However, the IRS disagreed with the remaining four recommendations. TIGTA's concerns with the IRS's response are noted in the report.

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/201520031fr.pdf.

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