



## Treasury Inspector General for Tax Administration Office of Audit

### **ADDITIONAL ACTIONS ARE NEEDED TO REALIZE BENEFITS OF THE TAX EXEMPT AND GOVERNMENT ENTITIES REPORTING AND ELECTRONIC EXAMINATION SYSTEM**

Issued on January 29, 2010

## Highlights

Highlights of Report Number: 2010-10-020 to the Internal Revenue Service Commissioner for the Tax Exempt and Government Entities Division.

### **IMPACT ON TAXPAYERS**

The Tax Exempt and Government Entities Reporting and Electronic Examination System (TREES or System) was developed to provide a case management system for Tax Exempt and Government Entities (TE/GE) Division employees and to improve the examination process. While some improvements have been made to the System since its release, the TE/GE Division has not realized the expected improvements in the examination process due to the difficulties experienced in the deployment of the TREES and because many planned capabilities were not delivered due to budget cutbacks. If additional actions are not taken by TE/GE Division management, the Federal Government will not receive the highest possible return from the \$18.7 million of taxpayer funds spent on developing and implementing the System.

### **WHY TIGTA DID THE AUDIT**

This audit was initiated at the request of the former Commissioner, TE/GE Division, and was part of the TIGTA Fiscal Year 2009 Annual Audit Plan coverage under the major management challenge of Modernization.

### **WHAT TIGTA FOUND**

TIGTA found that the \$18.7 million of taxpayer funds spent on developing and implementing the TREES has yet to lead to expected improvements in the TE/GE Division examination process. The TREES was fully deployed in April 2008 to all TE/GE Division examination employees, but experienced hardware and software issues that resulted in poor or no access to the System. TE/GE Division and Modernization and Information Technology Services personnel took action to improve access, response time, and functionality of the System, and discussions with users indicated that access to and

response time of the System was much better after these changes had been made.

The TREES Business Case, dated November 2007, identified four performance measures to determine the success of the TREES. These performance measures included dollars saved through productivity enhancements, customer (employee) satisfaction, length of time a case is open, and number of electronic cases stored. The TE/GE Division did not begin analyzing its performance measures until the first quarter of Fiscal Year 2009.

However, based on our observations, TIGTA is concerned that the envisioned benefits are not being realized. Until the TREES includes critical pieces of functionality, employees receive additional training on how to use the System, and employees accept and use the TREES more fully, the TE/GE Division will not transform examinations from a paper-intensive process to an automated process and begin realizing more of the expected benefits of the TREES.

### **WHAT TIGTA RECOMMENDED**

TIGTA recommended that the Commissioner, TE/GE Division, develop an action plan that addresses issues identified in the report and other issues the TE/GE Division has identified. This will allow the TE/GE Division to gain increased acceptance and fuller use of the TREES, which will lead to more attainment of the System benefits.

In their response to the report, IRS officials stated they agreed with our recommendation and plan to develop an action plan to address the issues identified in this report, including providing additional information and training to TREES users.

### **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/201010020fr.pdf>.

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