



Treasury Inspector General for Tax Administration Office of Audit

MEASURABLE PROGRESS HAS BEEN MADE IN ADDRESSING FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT NONCOMPLIANCE; HOWEVER, SIGNIFICANT CHALLENGES REMAIN

Issued on June 4, 2010

Highlights

Highlights of Report Number: 2010-10-065 to the Internal Revenue Service Chief Financial Officer and Chief Technology Officer.

IMPACT ON TAXPAYERS

The Federal Financial Management Improvement Act (FFMIA) remediation plan is a critical part of the Internal Revenue Service's (IRS) efforts to bring its financial management systems into compliance with the FFMIA and to provide reliable and timely financial data. Overall, the IRS still faces significant challenges in its efforts to comply with the FFMIA. In addition, our analysis of the IRS' September 30, 2009, FFMIA remediation plan found that the IRS continues to experience difficulties in developing resource estimates for remediation actions. For example, five resource estimates totaling \$84.3 million were not supported by detailed and verifiable documentation. Complete and reliable financial information is critical to the IRS' 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 objective of this review was to report to Congress, as required by the FFMIA, any instances of and reasons for missed intermediate target dates established in the IRS' FFMIA remediation plan for the period January 1, 2009, through September 30, 2009. In addition, TIGTA evaluated the effectiveness of the remedial actions taken by the IRS during the period January 1, 2005, through September 30, 2009, in resolving the noncompliance reported in the FFMIA remediation plans and assessed the challenges associated with achieving substantial compliance.

WHAT TIGTA FOUND

The IRS has made measurable progress in addressing the issues causing its noncompliance with the FFMIA. However, its financial management systems still do not comply with FFMIA requirements. The IRS informed us

that it does not believe it will become compliant with the FFMIA until approximately November 2014, pending successful implementation of its strategy to modernize the processes used to account for the records of individual taxpayers.

Our review also identified that the IRS continues to experience difficulties in developing resource estimates for remediation actions related to information security. TIGTA reported in two prior audits that some resource estimates were unsupported and based on outdated information. TIGTA continued to find similar issues in this review.

Finally, the IRS reported 30 open remedial actions in its September 30, 2009, FFMIA remediation plan. Our review of the 30 open remediation actions indicated that the IRS did not miss any intermediate target dates.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief Financial Officer, in coordination with the Chief Technology Officer, ensure that incomplete and unsupported information identified during our review be updated. In addition, the Chief Financial Officer should develop standard documentation guidelines for resource estimates reported in the IRS remediation plan.

The IRS agreed with both recommendations. Specifically, the IRS stated that its March 31, 2010, FFMIA remediation plan has been reconciled and annotated with the authoritative supporting documentation. The IRS also plans to develop standardized guidance that requires more specific documentation standards for remediation plan estimates.

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/201010065fr.pdf>

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