



Treasury Inspector General for Tax Administration Office of Audit

SIGNIFICANT PROGRESS WAS MADE IN ACHIEVING COMPLIANCE WITH THE FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT, BUT UNPAID ASSESSMENTS REMAIN A MATERIAL WEAKNESS

Issued on August 29, 2013

Highlights

Highlights of Report Number: 2013-10-091 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. Overall, the IRS still faces challenges in its efforts to comply with the FFMIA. 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 report to Congress, as required by the FFMIA, any instances of and reasons for missed intermediate target dates established in the IRS's Fiscal Year 2012 and first quarter Fiscal Year 2013 FFMIA remediation plans, determine whether the IRS has taken adequate corrective actions on prior audit findings related to the plan, and document the history of the unpaid assessments material weakness that has been noted in IRS financial statements for more than a decade.

WHAT TIGTA FOUND

The IRS made significant progress in addressing previously identified remediation plan material weaknesses. For example, the Government Accountability Office reported the downgrade of the information security material weakness to a significant deficiency during the Fiscal Year 2012 financial statement audit, and the IRS removed it from the December 31, 2012, remediation plan. This material weakness was initially identified in the June 1993 Government Accountability Office report. In addition, the IRS met all intermediate target dates established in its remediation plan.

However, the material weaknesses related to unpaid assessments remain. In a previous report, TIGTA recommended that the IRS determine whether the planned November 2014 implementation of a key system, the Customer Account Data Engine 2, will fully address the unpaid assessments material weakness, and TIGTA recommended that the IRS update future remediation plans with a more accurate implementation date, if necessary. IRS management agreed with this recommendation and plans to reassess the November 2014 closing date for this material weakness once the scope for Customer Account Data Engine 2 is determined. As a result, TIGTA will continue to monitor the IRS's progress in achieving compliance with the FFMIA.

WHAT TIGTA RECOMMENDED

Although TIGTA made no recommendations in this report, IRS officials were provided an opportunity to review the draft report. IRS management did not provide a formal response but agreed with the facts and conclusions presented.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2013reports/201310091fr.pdf>.