The IRS established a methodology to track ACA costs in its accounting records. However, the IRS accounted for only direct costs, such as labor and contract costs, because it did not believe that indirect costs should be recovered from the HIRIF. The IRS’s use of HIRIF funding only for ACA direct costs is consistent with the HIRIF requirements.

However, by not also identifying and tracking indirect costs, the IRS lacks complete information regarding the full cost of ACA implementation. This lack of complete information on ACA implementation costs limits the IRS’s ability to accurately report to stakeholders the total resources it applied to the ACA implementation and fully estimate the resources needed in the future for this effort.

**WHAT TIGTA RECOMMENDED**

TIGTA recommended that the Chief Financial Officer: 1) ensure that steps are taken to help identify potential errors in direct labor costs associated with the ACA implementation; 2) develop documentation requirements for direct labor costs reported as attributable to ACA implementation; and 3) revise the methodology used when reporting the total cost of the ACA implementation.

In their response, IRS management agreed with our recommendations. The IRS plans to redistribute guidance on the proper accounting for ACA activities and instructions on maintaining proper documentation. In future reporting on the ACA implementation, the IRS plans to use full costs when appropriate.

**READ THE FULL REPORT**

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