



## Treasury Inspector General for Tax Administration Office of Audit

### ANNUAL ASSESSMENT OF THE INTERNAL REVENUE SERVICE INFORMATION TECHNOLOGY PROGRAM

Issued on September 30, 2013

## Highlights

Highlights of Report Number: 2013-20-126 to the Internal Revenue Service Chief Technology Officer.

### IMPACT ON TAXPAYERS

The IRS relies extensively on its computer systems to carry out the responsibilities of administering our Nation's tax laws. As such, it must ensure that its computer systems are effectively secured to protect sensitive financial and taxpayer data. In addition, successful modernization of IRS systems and the development and implementation of new information technology applications are necessary to meet evolving business needs and to enhance services provided to the American taxpayer. The IRS also needs to ensure that it leverages viable technological advances as it modernizes its major business systems and improves its overall operational environment. This includes ensuring that information technology solutions are cost-effective and support mandatory Federal requirements and electronic tax administration goals.

### WHY TIGTA DID THE AUDIT

This audit is included in TIGTA's Fiscal Year 2013 Annual Audit Plan under the major management challenge of Modernization; however, it also addresses other challenge areas (e.g., Security for Taxpayer Data and Employees and Implementing the Affordable Care Act and Other Tax Law Changes). TIGTA annually assesses and reports on an evaluation of the adequacy and security of IRS information technology, as required by the IRS Restructuring and Reform Act of 1998.

### WHAT TIGTA FOUND

Since last year's assessment report, the IRS has made progress on improving information security. As a result, the Government Accountability Office made a determination to downgrade information security from a material weakness to a significant deficiency. Even still, TIGTA's reviews identified weaknesses in system access controls, audit trails, and remediation of security weaknesses.

In addition, the IRS took important steps to correct system performance issues of the Modernized e-File system to deliver a successful filing season. However, TIGTA continues to believe that the IRS's Modernization Program remains a major risk. TIGTA identified several systems development issues that should be addressed to further strengthen and support the Modernization Program. For example, our review of the Customer Account Data Engine 2 database determined that existing data quality issues prevented the downstream interfaces from being implemented. Further, the development and implementation of new systems for the Affordable Care Act present major information technology management challenges. As a result, TIGTA plans to continue its strategic oversight of this area.

Achieving program efficiencies and cost savings is an important area for the IRS. In October 2012, the IRS achieved Information Technology Infrastructure Library® Maturity Level 3 to help achieve greater efficiency delivering information technology services. While the IRS has made progress on improving program effectiveness and reducing costs, TIGTA's recent audit work involving data center consolidation, the Aircard and BlackBerry® smartphone program, and hardware and software management identified several opportunities for the IRS to achieve additional cost savings.

### WHAT TIGTA RECOMMENDED

Because this was an assessment report of the IRS's Information Technology Program through Fiscal Year 2013, TIGTA did not make any recommendations. However, TIGTA provided recommendations to the IRS in the audit reports referenced throughout this 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/2013reports/201320126fr.pdf>.