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INFORMATION TECHNOLOGY

IRS Needs to Complete Planning and Improve Reporting for Its Modernization Programs

Why GAO Did This Study

IRS relies extensively on IT to annually collect trillions of dollars in taxes, distribute hundreds of billions of dollars in refunds, and carry out its mission of providing service to America's taxpayers in meeting their tax obligations. In August 2022, Congress appropriated tens of billions to IRS through fiscal year 2031 to bolster taxpayer services and enforcement of the tax code, and modernize IT, among other things.

The Joint Explanatory Statements accompanying the Financial Services and General Government Appropriations Bills for 2022 and 2023 include provisions for GAO to review the status of IRS's IT investments. This report, among other things, summarizes the technology objective of IRS's strategic plan, determines the extent to which the agency has updated plans for its IT modernization programs, and assesses IRS progress made on its modernization programs in fiscal years 2022 and 2023.

GAO reviewed IRS's strategic operating plan and associated program documentation. In addition, GAO assessed IRS's progress on its reported modernization program cost and schedule performance for fiscal years 2022 and 2023. GAO also interviewed cognizant IRS officials.

What GAO Recommends

GAO is making three recommendations to IRS to complete a technology roadmap, update individual modernization plans, and improve its reporting on modernization progress. IRS agreed with all three recommendations.

View GAO-24-106566. For more information, contact David B. Hinchman at (214) 777-5719 or hinchmand@gao.gov

What GAO Found

In April 2023, the Internal Revenue Service (IRS) issued its agency-wide strategic operating plan outlining its vision to use billions of dollars contained in the Inflation Reduction Act of 2022 appropriation to transform the administration of the tax system and services provided to taxpayers. The plan identified five objectives, including a technology objective underpinning the other four.

Figure: Inflation Reduction Act Strategic Operating Plan Transformation Objectives

Objective 1
Taxpayer services

Objective 2
Quickly resolve taxpayer issues

Objective 3
Enforcement on complex tax filings and high-dollar noncompliance

Objective 4
Technology, data, and analytics

Objective 5
Workforce and culture

Sources: GAO analysis of Internal Revenue Service information and illustrations. | GAO-24-106566

The IRS plan, among other things, states that it will use the technology objective to retire and replace legacy systems and update programming languages, give taxpayers tools to access their data and use online services, and ensure continued security and privacy of taxpayer data. IRS identified eight initiatives and 38 key projects for the technology objective but noted the list of projects was not comprehensive. This is consistent with the Treasury Inspector General for Tax Administration 2023 report stating that the technology objective had a total of 142 projects. These 142 represent about 30 percent of the 475 projects for all five objectives.

Projects under the technology objective include ongoing modernization programs that have been modified to account for the new appropriations. However, plans showing changes to the scope of future work, milestones, and efforts to retire legacy systems have not yet been updated. IRS officials stated that updating these plans is contingent on completing a roadmap to implement the strategic plan. These officials added that the first version of the roadmap was completed in December 2023. However, this roadmap did not include the technology objective. They said that this objective would be included in version two of the roadmap which they expected would be completed very soon. Completing the roadmap and then updating ongoing IT modernization plans to reflect revisions driven by the strategic plan are essential to the transformation's success.

Regarding cost and schedule performance of IT modernization programs, IRS reported meeting most of its quarterly targets for fiscal years 2022 and 2023. These reports, however, could be improved by including programs' historical cost and schedule goals and how quarterly performance compares to overall program goals. For example, GAO previously reported that a key IT investment was within schedule estimates for 2019 and 2020 but that IRS had changed its overall program plans several times. These changes led to a 9-year milestone delay--from 2014 to 2023. However, the quarterly reports did not show this lengthy delay because they do not include programs' historical cost and schedule goals.

_____ **United States Government Accountability Office**