



Treasury Inspector General for Tax Administration

THE INTERNAL REVENUE SERVICE'S FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT REMEDIATION PLAN AS OF DECEMBER 31, 2007

Issued on March 28, 2008

Highlights

Highlights of Report Number: 2008-10-096 to the Internal Revenue Service Chief Financial Officer.

IMPACT ON TAXPAYERS

Our analysis of the December 31, 2007, Federal Financial Management Improvement Act (FFMIA) remediation plan indicated that the intermediate target dates for 10 (29 percent) of 35 remedial actions open at yearend were extended by 6 months to 18 months. Although the Internal Revenue Service (IRS) has reasonable explanations for the extended dates, these delays further hinder the IRS' ability to address its noncompliance with the FFMIA in a timely manner. In addition, the IRS is still in the process of updating the remediation plan with specific actions to develop timely and reliable cost accounting information. Complete 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 any instances of and reasons for missed intermediate target dates established in the IRS' remediation plan. TIGTA also evaluated whether, in general, the IRS was meeting its responsibilities in fulfilling the intent of the FFMIA.

WHAT TIGTA FOUND

During Calendar Year 2007, the IRS reported that it resolved a key component of one of the material weaknesses associated with its ongoing noncompliance with the FFMIA. The resolved issue related to the IRS' financial reporting material weakness area.

The IRS also reported that it canceled 2 and added 6 remedial actions to the 51 open remedial actions in its December 31, 2006, remediation plan. The two canceled remedial actions were related to the Custodial Detail Data Base. These two actions were replaced by six new expanded remediation actions for the same project. This change did not materially affect the completion date of remedial actions related to the

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Custodial Detail Data Base. The expanded actions were added to allow the IRS to better track enhancements affecting its various payment systems.

Also during Calendar Year 2007, the IRS reported that it completed 20 remedial actions, leaving 35 open remedial actions in its December 31, 2007, remediation plan. All of the open actions were associated with four major financial management projects or issues. Our review of the 35 open remedial actions indicated that the IRS missed no intermediate target dates. However, it extended target dates related to 10 of the 35 open remedial actions. The extensions ranged from 6 months to 18 months. Although the IRS has reasonable explanations for the extended intermediate target dates, these delays could further hinder the IRS' ability to make timely resolutions of the reported issues that cause its noncompliance with the FFMIA.

In addition, while the IRS completed development of a cost accounting policy in August 2007, it is still in the process of updating the remediation plan with the specific actions it plans to take to develop timely and reliable cost accounting information. Until the IRS updates the remediation plan with these actions, TIGTA continues to be unable to fully assess its progress in resolving this longstanding financial weakness area.

Finally, TIGTA had previously reported that some resources listed in the December 31, 2006, remediation plan were not verifiable to supporting documentation and recommended that the IRS Associate Chief Financial Officer for Corporate Planning and Internal Control review resources listed in future plans for accuracy. Our review indicated that the IRS has taken effective steps to address this finding.

WHAT TIGTA RECOMMENDED

TIGTA made no specific remediation plan recommendations as a result of the analyses performed during this audit. However, key IRS management officials reviewed the report prior to issuance and 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/2008reports/200810096fr.pdf>.

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