**Treasury Inspector General for Tax Administration**

EFFORTS TO UPDATE AGING COMPUTER HARDWARE ARE UNDERWAY, BUT PROGRAM IMPROVEMENTS ARE NEEDED TO MINIMIZE RISKS

**Issued on November 6, 2007**

# Highlights

Highlights of Report Number: 2008-20-002 to the Internal Revenue Service Chief Information Officer.

## IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) estimates it should spend $180 million annually to adequately maintain and replenish its computer hardware and has initiated several actions to address the risks associated with the aging computer hardware. However, the information used to estimate the size and effect of the aging computer hardware could be improved. The IRS established a goal to obtain increased resources to address the aging computer hardware as one of its highest priorities, but permanent program funding remains uncertain and a disciplined investment management governance process is needed for all infrastructure initiatives/activities. As a result, the IRS may not fund the highest priority projects to ensure investment decisions result in the most efficient use of available resources on behalf of taxpayers.

## WHY TIGTA DID THE AUDIT

This audit was initiated to determine whether the IRS implemented effective controls to identify and replace aging equipment components that could adversely affect its ability to meet its mission if the equipment components were to fail.

The IRS continues to emphasize that the core of tax administration processing relies heavily on critical systems designed in the 1960s, thereby hindering its ability to accomplish its mission and provide better service to taxpayers due to the inherent limitations of these systems. The IRS also reports the risk to tax administration is significant because critical business systems are currently operating on aged computer hardware (i.e., hardware that has exceeded its useful life). At the beginning of Fiscal Year 2006, the aged hardware was estimated to be valued at $276 million, with an additional $161 million in hardware becoming aged during Fiscal Year 2006.

## WHAT TIGTA FOUND

The information used to estimate the size and effect of the aging computer hardware issue could be improved. For example, the estimated cost to maintain and replenish the computer hardware needs to be updated, and reported information technology problems and reduced enforcement revenue could not be linked to aged computer hardware. Also, because the IRS considered the effect of the SASSER worm attack on IRS computer systems to be related to aged hardware and software, it reported unreliable information supporting the Fiscal Year 2007 budget request to the Office of Management and Budget.

Because permanent program funding remains uncertain, the IRS' ability to adequately maintain and replenish its old computer hardware will remain uncertain. In addition, a disciplined investment management governance process is needed for all infrastructure initiatives/activities, and performance measures are needed to assess the success of efforts to address the aging computer hardware issue.

## WHAT TIGTA RECOMMENDED

The Chief Information Officer should implement procedures to improve the accuracy and completeness of the inventory data and periodically prepare an updated aged computer hardware estimate, improve the integration of asset/inventory management with incident and problem management, permanently allocate necessary funds to maintain and replenish the aging hardware, ensure the End of Life Replacement activity is included in the governance process, and establish a process for monitoring and reporting Sustaining Infrastructure Program accomplishments to address the aging computer hardware issue.

In their response to the report, IRS officials agreed with four of the five recommendations and stated they plan to take appropriate corrective actions. The Chief Information Officer did not agree to permanently allocate the necessary funds within his organization's budget to maintain and replenish the aging computer hardware but agreed to realign the base budget whenever appropriate, subject to availability. TIGTA disagrees with the IRS and believes the Chief Information Officer should honor the commitment made to the IRS Oversight Board that the current $45 million being spent on infrastructure would be augmented by reallocating an additional $45 million from program efficiencies in Fiscal Years 2006 through 2008.

## READ THE FULL REPORT

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

http://www.treas.gov/tigta/auditreports/2008reports/200820002fr.pdf.

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