



Highlights of [GAO-03-796T](#), a report to Congressional Committees

IRS MODERNIZATION

Continued Progress Necessary for Improving Service to Taxpayers and Ensuring Compliance

Why GAO Did This Study

Congress passed the IRS Restructuring and Reform Act of 1998 in response to frustration with Internal Revenue Service's (IRS) inability to effectively carry out its mission. IRS's inability to deliver new computer systems that worked, allegations of abuse of taxpayers by IRS employees, and taxpayers greeted by busy signals when calling IRS for assistance all fed the frustration. The act set two goals for IRS—improve service to taxpayers while continuing to enforce compliance with the tax laws. The act also mandated annual joint congressional oversight hearings, of which this is the fifth and final.

What GAO Recommends

GAO is not making any new recommendations. However, numerous recommendations made in previous GAO reports about how to deal with the challenges facing IRS are cited.

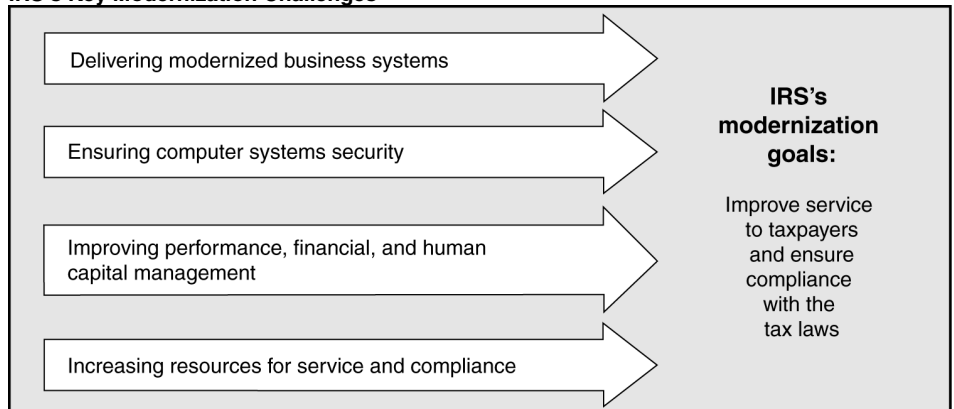
What GAO Found

IRS's accomplishments in the 5 years since the act was passed are significant. IRS has increased its capacity to manage with, for example, more effective controls over information system acquisition and better performance measures. In addition, the improvements have had a noticeable impact on service to taxpayers. Taxpayers have an easier time reaching IRS by telephone and are increasingly using IRS's Web site to download tax forms and publications and check the status of their refunds. Nevertheless, IRS is only part of the way to where taxpayers and Congress expect it to be.

Compliance is perhaps IRS's greatest challenge looking forward. Although IRS lacks current data about the level of voluntary compliance, what is known is that there have been significant and pervasive declines in many of IRS's key compliance and collections programs. As a result of these declines, taxpayers have less incentive to voluntarily comply, thereby potentially undermining the integrity of the tax system and risking revenue collections. Reversing this decline will be a challenge. Another challenge will be closing the gap between the level and quality of taxpayer services that IRS provides and what Congress and taxpayers want and expect. Despite improvements, almost one-third of callers receive busy signals or hang up without receiving service, and almost 20 percent get incorrect answers to tax law questions.

The means for realizing IRS's goals is continued progress modernizing, but this will be a challenge. The scope and complexity of the business systems modernization is growing, but management capacity is still maturing. Long-standing computer security weaknesses continue to threaten the confidentiality, integrity, and availability of sensitive systems and taxpayer data. Performance, financial, and human capital management all need further improvement. IRS is also challenged to realize the increased staffing levels for service and compliance called for in recent IRS budget requests.

IRS's Key Modernization Challenges



Source: GAO.

www.gao.gov/cgi-bin/getrpt?GAO-03-796T.

To view the full report, including the scope and methodology, click on the link above. For more information, contact James R. White at (202) 512-9110 or whitej@gao.gov.