



Highlights of [GAO-05-707T](#), a testimony before congressional committees

Why GAO Did This Study

Since the passage of the IRS Restructuring and Reform Act of 1998 (RRA 98), the Internal Revenue Service (IRS) has faced the challenge of managing its resources to simultaneously improve service to taxpayers, assure taxpayers' compliance with the tax laws, and modernize its antiquated information systems.

As requested, this statement provides our assessment of IRS's current performance in the areas of taxpayer service, tax law enforcement, and systems modernization. Looking ahead, this statement also describes the challenges that IRS faces in addressing resource constraints as well as realizing efficiency and information systems improvements.

What GAO Recommends

GAO is not making any new recommendations, but has recommendations outstanding related to taxpayer service, tax law enforcement, Business Systems Modernization (BSM), and systems security.

IRS is in general agreement with our recommendations and is in the process of implementing many of them.

www.gao.gov/cgi-bin/getrpt?GAO-05-707T.

To view the full product, 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.

IRS MODERNIZATION

Continued Progress Requires Addressing Resource Management Challenges

What GAO Found

IRS's most noticeable progress has been in IRS's taxpayer service, which has been of special concern to the Congress. Since the passage of RRA 98, improvements in access to IRS by telephone, the accuracy of answers given to taxpayer inquiries, and the growth of IRS's Web site, which now provides a variety of services, have been noteworthy accomplishments.

IRS experienced declines in enforcement staffing after 1998, but recently stopped the declines and begun to show increases. Despite this, enforcement remains a high risk area because of the continued need to improve enforcement and make progress towards reducing the tax gap.

IRS has made significant progress in establishing management controls and acquiring infrastructure as part of the BSM program, as well as significant progress in addressing financial management issues. However, BSM remains at risk because of the scope and complexity of modernization activities and the need for better management capacity to avoid repeating the program's history of schedule delays and cost overruns.

Looking ahead, continuing the progress described above depends on IRS addressing resource constraints and realizing efficiency and systems improvements. We highlight several such opportunities:

- Developing long-term goals would help IRS and Congress assess agency performance and make budget decisions.
- Considering additional funding enhancements such as user fees and private debt collection which may help mitigate budget constraints.
- Leveraging nonfederal partners such as states to assist with tax law enforcement and volunteers to help provide taxpayer service.
- Prioritizing taxpayer service activities could help IRS minimize the impact of budget cuts.
- Targeting enforcement resources could help IRS make more efficient use of available resources and help the agency make progress towards reducing the tax gap.
- Creating the necessary systems to enable IRS to develop accurate cost accounting information would help IRS make resource allocation decisions.
- Developing and using better productivity data would help IRS make productivity improvements and thereby make better use of available resources.
- Making needed management improvements would help IRS bring planned new information systems on-line in a timely and cost-effective manner.
- Making needed improvements to assure information systems security would reduce vulnerabilities.