GAO Accountability * Integrity * Reliability

Highlights

Highlights of GAO-13-401, a report to congressional committees

April 2013

INFORMATION TECHNOLOGY

Consistently Applying Best Practices Could Help IRS Improve the Reliability of Reported Cost and Schedule Information

Why GAO Did This Study

IRS relies extensively on IT systems to annually collect more than $2 trillion in taxes, distribute more than $300 billion in refunds, and carry out its mission of providing service to America's taxpayers in meeting their tax obligations. In fiscal year 2012, the agency spent about $2.5 billion for IT. Given the size and significance of IRS's IT investments, and the challenges inherent in successfully delivering these complex IT systems, it is important that Congress be provided ongoing, accurate, and objective information on the progress toward completion and the risks facing these projects.

Accordingly, GAO's objectives, among other things, were to (1) summarize the reported cost and schedule performance for IRS's major IT investments, and (2) for selected investments, determine the reliability of reported cost and schedule variances.

What GAO Recommends

GAO recommends that IRS improve the reliability of reported cost and schedule information by addressing weaknesses in future updates of cost and schedule estimates. GAO also recommends that IRS ensure projects consistently follow guidance for updating performance information 60 days after completion of an activity and develop and implement guidance that specifies best practices to consider when determining projected amounts. IRS agreed with three of GAO's four recommendations and partially disagreed with the fourth recommendation related to guidance on projecting cost and schedule amounts. GAO continues to believe this recommendation is warranted.

View GAO-13-401. For more information, contact David A. Powner at (202) 512-9286 or pownerd@gao.gov.

What GAO Found

According to the Internal Revenue Service (IRS), 12 of its 20 major information technology (IT) investments were within 10 percent of cost and schedule estimates or significantly below cost between October 2011 and October 2012. For the remaining 8 investments, 3 were reported as being significantly over cost and 5 were reported as being significantly behind schedule. Reported reasons for these significant variances include unplanned work activities, procurement delays, and additional costs associated with terminating an investment that was being replaced.

The reliability of the reported variance information—which is dependent upon having (1) a reliable cost estimate and a well-constructed and controlled schedule estimate, and (2) a process for determining variances using estimates and comparing them to actual or projected amounts—varied for the seven investments reviewed. Specifically, the cost estimates for CADE 2 and IRDM, and the schedule estimates for CADE 2, IRDM, and ACA were more favorable than for the remaining investments because they were more consistent with best practices (see table for assessments of cost estimates).

Status of Whether Each Key Investment Met the Four Characteristics of a Cost Estimate

	Comprehensive	Well-documented	Accurate	Credible
Affordable Care Act	◐	◐	◐	◔
Customer Account Data Engine 2	◕	◕	◐	◕
e-Services	◐	◔	◐	n/a[a]
Information Reporting and Document Matching	◕	◕	◕	◐
IRS.gov	◕	◐	◐	◔
Modernized e-File	◔	○	◔	◔
Return Review Program	◕	◐	◕	◔

Source: GAO analysis of IRS documentation.

[a] Because the cost estimate for e-Services is only for maintenance costs, GAO determined that the credible criterion is not appropriate in the assessment.

Key: ●=Fully met—fully implemented the practices; ◕=Substantially met—implemented a large portion of the practices; ◐=Partially met—implemented about half of the practices; ◔=Minimally met—implemented a small portion of the practices; and ○=Not met—did not implement the practices or provided evidence that it only minimally implemented.

In addition, regarding IRS's process for determining variances, the agency generally determined investment cost and schedule variances for completed activities with actual amounts—although in about 25 percent of the cases it did not do so within the 60-day time frame specified in the Department of Treasury's guidance. Further, while IRS determined variances using projected cost and schedule for in-process activities, the guidance for doing so did not specify how projected amounts should be determined. This introduces the risk that projected amounts will not consistently reflect best practices and these amounts will therefore remain questionable.