U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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Washington, DC 20548

Accessible Version

April 4, 2019

The Honorable Charles P. Rettig
Commissioner of Internal Revenue Service
Internal Revenue Service

Priority Open Recommendations: Internal Revenue Service

Dear Mr. Rettig:

The purpose of this letter is to provide you with the overall status of the Internal Revenue Service's (IRS) implementation of GAO's recommendations and to call your personal attention to critical open recommendations that we believe should be given high priority.[1] In November 2018, we reported that on a government-wide basis, 77 percent of our recommendations made 4 years ago were implemented.[2] IRS's recommendation implementation rate was 77 percent. As of March 2019, IRS had 307 open recommendations. Fully implementing these open recommendations could significantly improve IRS's operations.

Since our last letter in March 2018, IRS has implemented one of our 16 open priority recommendations. In doing so, IRS used more complete performance information to make decisions that justify the use of resources to audit certain types of tax issues and returns. As a result of this effort, IRS can make more informed decisions about what to audit using limited resources.

IRS has 15 priority recommendations remaining from those we identified in our 2018 letter. We ask your attention on these remaining recommendations. We are adding eight new recommendations as priorities this year related to reducing tax fraud and improving taxpayer services. This brings the total number of priority recommendations to 23. (See enclosure for the list of these recommendations.)

The 23 priority recommendations fall into the following six areas.

Improve payment integrity.

Three recommendations would improve payment integrity at IRS. In July 2017, we recommended a number of actions on improper payments reporting requirements and procedures related to processing Premium Tax Credit (PTC) information on tax returns.[3] One recommendation aims for IRS to assess the PTC program in accordance with federal statute and Office of Management and Budget (OMB) guidance to determine whether it is susceptible

[1]Priority recommendations are those that GAO believes warrant priority attention from heads of key departments or agencies. They are highlighted because, upon implementation, they may significantly improve government operation, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a high-risk or duplication issue.

[2]GAO, *Performance and Accountability Report: Fiscal Year 2018*, GAO-19-1SP (Washington, D.C.: Nov. 15, 2018).

[3]26 U.S.C. § 36B.

to significant improper payments. The other two recommendations are intended to help IRS more effectively detect and prevent improper payments related to the PTC.

Among other actions to address these priority recommendations, IRS needs to conduct an appropriate susceptibility assessment consistent with Improper Payments Information Act-defined thresholds.[4] IRS partially agreed with this recommendation. IRS completed analysis using data from tax year 2014 and determined that the data sample size was too small to provide an estimate that meets the requirements established in OMB Circular A-123 Appendix C. However, IRS said it will continue to update and refine its analysis as more data become available from subsequent filing seasons.

Another action IRS should take is to design and implement formal policies and procedures to identify individuals inappropriately receiving PTC because of their eligibility for or enrollment in health care programs outside of the marketplaces. IRS agreed with this recommendation and will be completing its analysis to determine duplicate health insurance coverage sometime in fiscal year 2019. Once completed and incorporated in IRS's policies and procedures, this analysis will help ensure that IRS does not improperly provide PTC to ineligible recipients.

Reduce tax fraud.

Seven recommendations would help IRS better defend itself and taxpayers against tax refund fraud and other noncompliance. In June 2018, we made four recommendations, all of which IRS agreed with, to improve its ability to authenticate taxpayers' identity. To implement these recommendations, IRS needs to estimate resources for and prioritize its taxpayer authentication initiatives and develop a plan to fully implement new National Institute on Standards and Technology guidance for online authentication.[5]

In July 2018, we made two recommendations that would improve the information available to IRS's Return Review Program (RRP) to improve the accuracy of this key enforcement program's selection of potentially fraudulent returns. IRS has taken steps to make Form W-2 Wage and Tax Statement (W-2) information available to RRP on a more frequent basis and to digitize more information from paper returns. However, IRS has not conducted a cost-benefit analysis to digitize additional information from returns filed on paper. Fully implementing these recommendations could improve RRP's accuracy and prevent IRS from paying invalid refunds. We also made one recommendation in July 2018 for IRS to analyze the costs and benefits of expanding IRS's use of RRP for other enforcement activities, such as audit selection and underreporting. IRS agreed with all three recommendations and is taking steps to implement them.

Improve resource investment decision-making and oversight.

One recommendation would improve IRS's resource investment decision-making, which could potentially increase revenues by $1 billion, based on a hypothetical shift of a share of resources from exams of tax returns in less productive groups to more productive groups. In December 2012, we recommended that IRS calculate marginal return on investment estimates for each enforcement program and groups of cases within programs. While IRS has taken some steps, more work is needed to address this recommendation. Specifically, IRS has built a model for

[4]IPIA, § 2(a)(3)(A).

[5]National Institute of Standards and Technology, Electronic Authentication Guideline, Special Publication 800-63-2 (August 2013), superseded by Digital Identity Guidelines, Special Publication 800-63-3 (June 2017).

allocating exam workloads using an estimate of marginal revenue but not marginal cost. Continued development of this model may improve resource allocation and collection of additional revenue.

Improve information security.

Two recommendations would improve IRS's testing of security controls and implementation of effective corrective actions for security weaknesses. In March 2015, we recommended that IRS take a number of steps to more effectively implement key elements of its information security program and resolve security control weaknesses in its financial and taxpayer systems. IRS has made progress in addressing a number of control weaknesses. However, IRS needs to continue strengthening its testing and evaluation of controls to ensure the control testing methodology and results meet the control objectives being tested for its systems. In addition, IRS needs to continue improving its remediation process by ensuring that corrective actions for previously identified weaknesses are effectively and fully implemented.

Improve audit effectiveness.

Six recommendations would improve some of IRS's key audit activities. Two recommendations from September 2014 could help determine and improve the effectiveness of partnership audits (including for large partnerships). To fully implement these recommendations, IRS needs to improve how it defines large partnerships and analyze the results of its audits. These actions should help IRS to identify opportunities to better plan and use resources when auditing large partnerships.

Three recommendations made in June 2014 direct IRS to develop clear objectives for the correspondence audit program, ensure that program measures reflect the objectives, and link measures with IRS-wide compliance goals. IRS has started the process to document objectives, measures, and links to goals, but needs to complete these efforts to fully implement the recommendations so that it can determine whether the program is performing better or worse from one year to the next.

The last recommendation from February 2016 aims to consolidate aspects of referral programs' submission and review processes in order to increase coordination across overlapping programs. As of March 2019, IRS continues to consider funding for an online system but did not provide an update on the new coordination working group that would be using the online system. IRS needs to continue its development of an online submission referral application and assess consolidation of its referral programs.

Improve taxpayer services.

Four recommendations direct IRS to develop strategies that could significantly improve taxpayer service. Two recommendations from December 2011 and April 2013 call for IRS to develop a long-term strategy for providing web-based services to taxpayers. IRS officials in the Office of Online Services stated that they rely on their 2018–2022 Strategic Plan to provide that vision. However, this plan is at a high level. To fully implement these recommendations, IRS needs to develop a long-term strategy and comprehensive business cases focused on online services that describe the potential benefits and costs, timelines, and prioritization of proposed projects.

In December 2012, we recommended IRS develop a strategy to improve telephone and correspondence services. This included establishing a customer service standard and identifying the resources required to achieve that standard. IRS has taken steps toward implementing this recommendation, but has not outlined a strategy that defines appropriate levels of telephone and correspondence service and wait time. IRS also has not listed specific steps to manage service based on an assessment of time frames, demand, capabilities, and resources.

The last recommendation from September 2018 would establish time frames and monitoring procedures for the timely transfer of taxpayer appeals requests by examination compliance units to the Office of Appeals. Delays in transferring such requests can result in increased interest costs for taxpayers because interest continues to accumulate on the tax liability during the appeal process. Further, taxpayers unsure of the status of their appeals may call or write to IRS—tying up other IRS staff to respond to inquiries about appeals delayed in transfer. Once IRS releases its corrective action plan, we will assess the specific steps IRS plans to ensure timely transfer of examination appeals.

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As you know, in March we issued our biennial update to our high-risk program, which identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges.[6] Our high-risk program has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical service to the public.

One of our high-risk areas, enforcement of tax laws, centers directly on IRS. Several other government-wide high-risk areas, including (1) ensuring the cybersecurity of the nation,(2) improving the management of IT acquisitions and operations, (3) strategic human capital management, (4) managing federal real property, and (5) government-wide personnel security clearance process, also have direct implications for IRS and its operation. We urge your attention to these government-wide high-risk issues as they relate to IRS. Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, OMB, and the leadership and staff in agencies, including IRS.[7]

Copies of this report are being sent to the Director of the Office of Management and Budget, Secretary of the Department of the Treasury, and appropriate congressional committees including the Committees on Appropriations, Budget, and Homeland Security and Governmental Affairs, United States Senate; and the Committees on Appropriations, Budget, and Oversight and Reform, House of Representatives. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

I appreciate IRS's continued commitment to these important issues. If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Jessica Lucas-Judy, Director, Strategic Issues, at lucasjudyj@gao.gov or (202) 512-9110 or James R. McTigue Jr., Director, Strategic Issues, at mctiguej@gao.gov, (202) 512-9110.

Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Our teams will continue to coordinate with your staff on all of the 307 open recommendations. Thank you for your attention to these matters.

Sincerely yours,

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[6]GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas,* GAO-19-157SP (Washington, D.C.: Mar. 6, 2019).

[7]GAO-19-157SP. See pages 235-240 for Enforcement of Tax Laws, pages 178-184 for Ensuring the Cybersecurity of the Nation, pages 123-127 for Improving the Management of IT Acquisitions and Operations, pages 75-77 for Strategic Human Capital Management, pages 78-85 for Managing Federal Real Property, and pages 170-177 for Government-wide Personnel Security Clearance Process.

J. Christopher Mihm

Managing Director, Strategic Issues

Enclosure – 1

cc: The Honorable Mick Mulvaney, Director, Office of Management and Budget

The Honorable Steven Mnuchin, Secretary, Department of the Treasury

Enclosure -- Priority Open Recommendations to IRS

Improve Payment Integrity

***Improper Payments: Improvements Needed in CMS and IRS Controls over Health Insurance Premium Tax Credit.* GAO-17-467. Washington, D.C.: July 13, 2017.**

Recommendation: The Internal Revenue Service (IRS) should direct the appropriate officials to assess the program against applicable Improper Payments Information Act of 2002 (IPIA)-defined thresholds and conclude on its susceptibility to significant improper payments, and revise the scope of its improper payments susceptibility assessment for the Premium Tax Credit (PTC) program to include instances in which advance PTC is greater than or equal to the amount of PTC claimed on the tax return. If the program meets the IPIA definition for being susceptible to significant improper payments based on this assessment, estimate and report improper payments associated with the PTC program consistent with IPIA requirements.

Actions needed: IRS partially agreed with this recommendation. In October 2018, IRS stated that it completed an analysis of net PTC using National Research Program data from tax year 2014. However, IRS determined that the data sample size was too small to provide an estimate that meets the requirements established in Office of Management and Budget Circular A-123 Appendix C. Consequently, IRS stated that the sample and analysis will be updated and refined as more data from subsequent filing seasons become available.

Until IRS conducts an appropriate risk assessment consistent with the Improper Payments Information Act of 2002, as amended, it will continue to be uncertain about whether it should estimate the improper PTC payments amount.

Recommendation: IRS should direct the appropriate officials to assess whether IRS should require its examiners to verify health care coverage of individuals to determine eligibility for PTC. To do this, IRS should complete its evaluation of the level of noncompliance related to duplicate health insurance coverage. Based on this evaluation and if cost-effective, IRS should design and implement formal policies and procedures to routinely identify individuals inappropriately receiving PTC because of their eligibility for or enrollment in health care programs outside of the marketplaces and notify such individuals of their ineligibility for PTC.

Actions needed: IRS agreed with this recommendation. IRS is planning an analysis to determine duplicate health insurance coverage and expects to complete its analysis sometime in fiscal year 2019. Until such policies and procedures are incorporated in the Internal Revenue Manual (IRM), IRS is vulnerable to improperly providing PTC to ineligible recipients.

Recommendation: IRS should direct the appropriate officials to design and implement procedures in the IRM to regularly notify non-filers of the requirement to file tax returns in order to continue to receive advance PTC in the future.

Actions needed: Although IRS partially agreed with this recommendation, officials told us in July and October 2018 that IRS does not plan to update the IRM to include procedures for notifying non-filers of the requirement to file tax returns to receive advance PTC in the future. IRS said it noticed a decline in non-filers in tax year 2016 and expected the decline to continue in tax year 2017. IRS considers these notices discretionary and is focused primarily on educating taxpayers of their requirement to file a tax return and to alert them of the potential loss of future advance PTC subsidies.

We continue to believe that IRS needs to design and implement procedures to regularly notify non-filers of the need to file to continue receiving advance PTC. The lack of these procedures increases the risk of individuals losing their subsidized health care coverage from the marketplaces in the future. In addition, the federal government may not be able to collect any excess advance PTC that it may be owed or pay any additional PTC that may be due to individuals.

High-risk area: Enforcement of Tax Laws

Director: Beryl H. Davis, Financial Management and Assurance

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<u>Reduce Tax Fraud</u>

Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement. **GAO-18-544. Washington, D.C.: July 24, 2018*.***

Recommendation: The Commissioner of Internal Revenue should increase the frequency at which incoming W-2 information is made available to the Return Review Program (RRP).

Actions needed: IRS agreed with this recommendation and, as of December 2018, IRS planned to increase the frequency of loading W-2s into RRP from weekly to several times weekly beginning in 2019. We will continue to monitor IRS's implementation of this recommendation.

Recommendation: The Commissioner of Internal Revenue should update and expand a 2012 analysis of the costs and benefits of digitizing returns filed on paper to consider any new technology or additional benefits associated with RRP's enhanced enforcement capabilities.

Actions needed: IRS agreed with this recommendation and in November 2018 reported that it plans to update the cost-benefit analysis by October 2020. In May 2018, IRS submitted a request to private industry for information on the latest digitization strategies and solutions available in the marketplace. Addressing this recommendation would provide IRS and Congress with valuable information to implement the most cost-effective options for making additional, digitized information available for enforcing and administering taxes.

Recommendation: The Commissioner of Internal Revenue should evaluate the costs and benefits of expanding RRP to analyze individual returns not claiming refunds to support other enforcement activities.

Actions needed: IRS agreed with this recommendation. IRS also agreed that RRP presents an opportunity to improve tax compliance and enforcement. According to IRS, expanding the use of RRP is an agency goal. In November 2018 IRS reported that it plans to complete this analysis by October 2020. Addressing this recommendation would provide IRS with the information needed to identify potential opportunities to streamline the detection and treatment of fraud as well as to promote voluntary compliance with tax laws.

High-risk area: Enforcement of Tax Laws

Director: James R. McTigue Jr., Strategic Issues

Contact information: mctiguej@gao.gov, (202) 512-9110

Identity Theft: IRS Needs to Strengthen Taxpayer Authentication Efforts. **GAO-18-418. Washington, D.C.: June 22, 2018.**

Recommendation: The Commissioner of Internal Revenue should direct the Identity Assurance Office, in collaboration with other IRS business partners, to estimate the resources (i.e., financial and human) required for the foundational initiatives and supporting activities identified in its *Identity Assurance Strategy and Roadmap*.

Recommendation: Based on the estimates developed for the foundational initiatives and supporting activities identified in its *Identity Assurance Strategy and Roadmap*, the Commissioner of Internal Revenue should direct the Identity Assurance Office to prioritize foundational initiatives in its *Identity Assurance Strategy and Roadmap*.

Actions needed: IRS agreed with both of these recommendations and as of December 2018 stated that it plans to refresh its *Identity Assurance Strategy and Roadmap* with resource estimates and prioritization of authentication initiatives by mid-May 2020. IRS's timely attention to these actions will better position the agency to respond to known and unknown threats to the tax system.

Recommendation: The Commissioner of Internal Revenue should direct the Identity Assurance Office and other appropriate business partners to develop a plan—including a timeline, milestone dates, and resources needed—for implementing changes to its online authentication programs consistent with new National Institute of Standards and Technology (NIST) guidance.

Recommendation: In accordance with the plan developed for implementing changes to its online authentication programs, the Commissioner of Internal Revenue should implement improvements to IRS's systems to fully implement NIST's new guidance.

Actions needed: IRS agreed with these recommendations. In December 2018, IRS officials told us they are determining when they will finalize a plan for implementing the new NIST guidelines, but they expect to complete this timeline by late summer 2019. In September 2018, IRS stated that it expects to implement improvements to affected systems by February 2023. As noted in our report, IRS's timely implementation of NIST's new guidance is critical, as it can help the agency mitigate potential security weaknesses in its existing online authentication programs.

High-risk area: Enforcement of Tax Laws

Director: James R. McTigue Jr., Strategic Issues

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Improve Resource Investment Decision-Making and Oversight

Tax Gap: IRS Could Significantly Increase Revenues by Better Targeting Enforcement Resources. GAO-13-151. Washington, D.C.: December 5, 2012.

Recommendation: IRS should review disparities in the ratios of direct revenue yield to costs across different enforcement programs and across different groups of cases within programs and determine whether this evidence provides a basis for adjusting IRS's allocation of enforcement resources each year. As part of this review, IRS should develop estimates of the marginal direct revenue and marginal direct cost within each enforcement program and each taxpayer group.

Actions needed: IRS said it agreed in principle to using ratios of direct revenue yield to costs to adjust its enforcement resource allocation and has taken some steps to implement it. IRS began to use marginal revenue estimates when allocating correspondence examination case workload across subdivisions in its Small Business/Self-Employed Division, but had not incorporated marginal cost estimates into its model as of December 2018. To fully implement this recommendation, IRS should use information on marginal revenue and marginal cost when deciding how to allocate resources. By making this change, IRS may be able to collect significant amounts of additional revenue.

High-risk area: Enforcement of Tax Laws

Director: James R. McTigue Jr., Strategic Issues

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Improve Information Security

Information Security: IRS Needs to Continue Improving Controls over Financial and Taxpayer Data.* GAO-15-337. Washington, D.C.: March 19, 2015*.

Recommendation: IRS should effectively implement key elements of its information security program by ensuring that its control testing methodology and results fully meet the intent of the control objectives being tested.

Actions needed: IRS agreed with our recommendation, but had not fully implemented it as of the end of our fiscal year 2018 audit of the agency's financial statements. IRS officials said the agency improved its testing process. However, as of October 2018, its testing methodology still had not been fully implemented since all planned control test procedures had not been performed. As a result, the intent of the control objectives being tested were not always met. As part of our fiscal year 2019 audit of IRS's financial statements, we will monitor the agency's progress in improving the testing process for its systems.

Recommendation: IRS should effectively implement key elements of its information security program by updating its remedial action verification process to ensure actions are fully implemented.

Actions needed: IRS agreed with our recommendation. IRS took corrective actions to remediate information system security weaknesses; however, as of October 2018, many of the corrective actions the agency verified as implemented had not been fully implemented. IRS also had not implemented an additional 46 actions that we recommended to remedy identified security weaknesses with its financial system. We will continue to monitor the agency's progress in strengthening its remedial action verification process as part of our fiscal year 2019 audit of IRS's financial statements.

High-risk areas: Enforcement of Tax Laws, Ensuring the Cybersecurity of the Nation

Director: Gregory C. Wilshusen, Information Technology and Cybersecurity

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Improve Audit Effectiveness

***Large Partnerships: With Growing Number of Partnerships, IRS Needs to Improve Audit Efficiency.* GAO-14-732. Washington, D.C.: September 18, 2014.**

Recommendation: The Commissioner of Internal Revenue should track the results of large partnerships audits:

- define a large partnership based on asset size and number of partners;
- revise the activity codes to align with the large partnership definition; and
- separately account for field audits and campus audits.

Actions needed: IRS agreed with our recommendation. IRS defined large partnerships but the definition is restrictive compared to large corporations. IRS defines large partnerships as having $10 million or more in assets, the same as large corporations. However, IRS has eight asset categories for tracking large corporation audit results beyond the $10 million threshold, but it only has one for large partnerships, based on its new definition. As of December 2018, IRS had not yet created more than one category. Providing further detail on audits by the size of large partnerships will help IRS identify opportunities to better plan and use resources in auditing large partnerships.

Recommendation: The Commissioner of Internal Revenue should analyze the audit results by these activity codes and types of audits to identify opportunities to better plan and use IRS resources in auditing large partnerships.

Actions needed: IRS agreed with our recommendation and created reports to regularly track audit results (e.g., dollar amounts, hours, number of returns) for this one category. To fully implement this recommendation, IRS needs to analyze audit results to identify opportunities to better plan and use its resources in auditing large partnerships. As of December 2018, IRS officials said they plan to use the reports to do this analysis but the outcome may not be possible with the statutory changes governing partnerships. A more detailed definition of large partnerships would improve the usefulness of that analysis.

High-risk area: Enforcement of Tax Laws

Director: James R. McTigue Jr., Strategic Issues

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IRS Correspondence Audits: Better Management Could Improve Tax Compliance and Reduce Taxpayer Burden. GAO-14-479. Washington, D.C.: June 5, 2014.

Recommendations: IRS should clarify the desired results of the correspondence audit program and its linkages to IRS-wide activities by

1. establishing formal program objectives;
2. ensuring that the program measures reflect those objectives; and
3. clearly linking those measures with strategic IRS-wide goals on ensuring compliance in a cost-effective way while minimizing taxpayer burden.

Actions needed: IRS agreed with our three recommendations, but has not yet implemented them. In November 2018, IRS officials said program managers were working to document objectives, measures, and links to goals. Until the objectives are clear, IRS will not be able to establish program measures that reflect the objectives and then link those measures with IRS's strategic goals.

High-risk area: Enforcement of Tax Laws

Director: James R. McTigue Jr., Strategic Issues

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IRS Referral Programs: Opportunities Exist to Strengthen Controls and Increase Coordination across Overlapping Programs. GAO-16-155. Washington, D.C.: February 23, 2016.

Recommendation: IRS should direct the referral programs to coordinate on a plan and timeline for developing a consolidated, online referral submission. This could better position IRS to leverage specialized expertise while exploring options to further consolidate the initial screening operations.

Actions needed: IRS generally agreed with our recommendation. As of March 2019, IRS officials reported that a cross-functional team within IRS had worked with IRS Online Services to develop an online application prototype. The officials said the team also is considering the cost-effectiveness of a commercial off-the-shelf product. IRS said it will consider further consolidation of the referral programs once the online application is in place. As of March 2019, IRS continues to consider funding portal development for fiscal year 2019. However, IRS did not provide an update on the new coordination working group that would be using the online referral system. IRS needs to continue its development of an online submission referral application and continue to assess the consolidation of the referral programs. We will continue to assess these efforts as they are further developed.

High-risk area: Enforcement of Tax Laws

Director: Jessica Lucas-Judy, Director, Strategic Issues

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Improve Taxpayer Services

2011 Tax Filing: Processing Gains, But Taxpayer Assistance Could Be Enhanced by More Self Service Tools. GAO-12-176. Washington, D.C.: December 15, 2011.

Recommendation: The Commissioner of Internal Revenue should complete an internet strategy that (1) provides a justification for the implementation of online self-service tools and includes an assessment of providing online self-service tools that allow taxpayers to access and update elements of their account online; (2) acknowledges the cost and benefits to taxpayers of new online services; (3) sets the time frame for when the online service would be created and available for taxpayer use; and (4) includes a plan to update the strategy periodically.

Actions needed: IRS did not state whether it agreed or disagreed with this recommendation. In October 2018, IRS officials confirmed that they do not have a strategy outlining their long-term vision for increasing online services and web offerings. Rather, officials said that they rely on IRS's fiscal year 2018–2022 Strategic Plan for that vision, which includes objectives focused on expanding digital options for taxpayers and professionals to interact efficiently with IRS and developing additional self-assistance and correction tools for enhanced online account capabilities. However, IRS has not developed business cases for new online services describing potential benefits and costs of the projects and timelines, nor has it prioritized proposed projects. We are continuing to evaluate IRS's progress on developing a long-term strategy to improve web services as part of our ongoing work.

High-risk area: Enforcement of Tax Laws

Director: Jessica Lucas-Judy, Director, Strategic Issues

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IRS Website: Long-Term Strategy Needed to Improve Interactive Services. GAO-13-435. Washington, D.C.: April 16, 2013.

Recommendation: The Acting Commissioner of Internal Revenue should direct appropriate officials to develop a long-term strategy to improve web services provided to taxpayers, in accordance with federal guidance outlined in our report. To accomplish this, IRS should develop business cases for all new online services, describing the potential benefits and costs of the project, and use them to prioritize future projects.

Actions needed: IRS partially agreed with this recommendation. In October 2018, IRS officials confirmed that they do not have a strategy that outlines their long-term vision for increasing online services and web offerings. However, IRS started a process of submitting business cases in May 2018 to aid in prioritization efforts. IRS provided us a few examples of these business cases, but they were incomplete and missing information such as costs and potential cost reductions to taxpayers. Until these business cases fully describe the potential benefits and costs of a project, it will be difficult for IRS to develop a prioritized list of projects to fund.

High-risk area: Enforcement of Tax Laws

Director: James R. McTigue Jr., Strategic Issues

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2012 Tax Filing: IRS Faces Challenges Providing Service to Taxpayers and Could Collect Balances Due More Effectively. **GAO-13-156. Washington, D.C.: December 18, 2012.**

Recommendation: The Acting Commissioner of Internal Revenue should outline a strategy that defines appropriate levels of telephone and correspondence service and wait times and lists specific steps to manage service based on an assessment of time frames, demand, capabilities, and resources.

Actions needed: IRS neither agreed nor disagreed with this recommendation. IRS provided results of a benchmarking study to compare its telephone service to the best in business. IRS concluded that the ideal telephone level of service is about 83 percent, which optimizes a balance between wait times, disconnects, and assistor availability. However, IRS did not adopt the recommended service standard, nor did it estimate the resources required to achieve that standard.

IRS has not determined appropriate levels of correspondence service and wait times. Further, IRS has not incorporated these findings into a customer service strategy that lists specific steps to manage service based on an assessment of time frames, demand, capabilities, and resources. IRS officials told us in November 2018 that they drafted a customer service strategy, which is undergoing review by Treasury and the Office of Management and Budget. Until IRS releases the customer service strategy, it is unclear the extent to which and when IRS will address our recommendation. We maintain that IRS should develop a comprehensive strategy which enables it to make more informed requests to Congress about the resource requirements needed to deliver specific levels of service. Finalizing a long-term comprehensive strategy will help ensure IRS is maximizing the benefit to taxpayers and possibly reduce costs in other areas.

High-risk area: Enforcement of Tax Laws

Director: Jessica Lucas-Judy, Director, Strategic Issues

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Tax Administration: Opportunities Exist to Improve Monitoring and Transparency of Appeal Resolution Timeliness. **GAO-18-659. Washington, D.C.: September 21, 2018.**

Recommendation: The Commissioner of Internal Revenue should establish time frames and monitoring procedures for timely transfer of taxpayer appeals requests by examination compliance units to the Office of Appeals.

Actions needed: IRS agreed with this recommendation. In February 2019, IRS stated it plans to implement corrective actions to establish and document time frames and new monitoring processes by August 2019. IRS will need to assess whether the planned actions result in timely transfer of examination appeals considering the diversity of examination cases and appeal types. We will continue to monitor IRS's implementation of this recommendation.

High-risk area: Enforcement of Tax Laws

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