

GAO Highlights

Highlights of [GAO-24-107129](#), a testimony before the Subcommittees on Government Operations and the Federal Workforce, and Health Care and Financial Services, Committee on Oversight and Accountability, House of Representatives

Why GAO Did This Study

IRS's mission is to provide taxpayers with top-quality service by helping them understand and meet their tax responsibilities. To meet its mission, IRS must timely process tax returns and respond to taxpayers. It must also protect sensitive taxpayer and financial information, and modernize information technology.

GAO was asked to testify about IRS service and processing, data safeguards, and information technology. Specifically, this testimony summarizes GAO's prior reports on challenges that IRS has faced in carrying out its mission and on opportunities for the agency to improve.

To do so, GAO reviewed its issued reports identifying challenges and opportunities to improve IRS service, data safeguards and information system controls, and IT modernization, and incorporated information on the agency's actions in response to related GAO recommendations.

What GAO Recommends

GAO has made a number of recommendations to IRS to address various issues in service and processing, data safeguards, and IT. IRS generally agreed with these recommendations and has taken action to implement many, but others still need to be fully addressed. These include improvements in digitizing information, workforce planning, and increasing contractor oversight, among others. GAO has also previously made recommendations to Congress that remain unaddressed, as described in this testimony.

View [GAO-24-107129](#). For more information, contact Jessica Lucas-Judy at (202) 512-6806 or lucasjudyj@gao.gov.

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TAX ADMINISTRATION

IRS Has Opportunities to Address Longstanding Challenges

What GAO Found

The Internal Revenue Service (IRS) has struggled with longstanding challenges in providing taxpayer service, processing returns, safeguarding sensitive information, and replacing legacy IT systems. In 2022, IRS was appropriated tens of billions in funding over 10 years to modernize its operations and improve service, among other purposes. IRS developed a strategic operating plan outlining steps it will take to make these improvements. GAO has previously identified several areas to improve IRS operations that align with IRS's strategic operating plan.

Service and processing

- **Communicating time frames for resolving backlogs:** In 2022, GAO reported that [IRS continued to struggle meeting taxpayer service needs](#), including balancing telephone and correspondence services. For example, IRS was late responding to taxpayer correspondence more than half the time.
- **Digitizing information and improving electronic filing:** GAO also reported that [in 2021 and 2022 IRS's reliance on manual processing significantly affected its performance in processing tax returns and delayed refunds](#).
- **Improving workforce planning:** As GAO reported in 2022, IRS has [challenges hiring staff](#) to process tax returns. While IRS used an expedited hiring authority to help fill critical filing season positions, it has a high attrition rate.

Data safeguards and information technology

- **Increasing contractor oversight:** Taxpayers expect IRS to protect their sensitive personal and financial information. While IRS has safeguards to protect taxpayer information, in 2023, [GAO identified several weaknesses](#). For example, contractors assigned training courses related to protecting taxpayer information had low training completion rates for fiscal year 2021.
- **Addressing control weaknesses:** In 2023, GAO identified [five new deficiencies in IRS's internal control over financial reporting](#) related to information system controls, tax refunds, and safeguarding assets. GAO also determined that 32 prior related recommendations remained open as of the end of fiscal year 2022.
- **Updating time frames for disposing of legacy systems:** In 2023, GAO found that [IRS suspended two initiatives associated with replacing the 60-year-old Individual Master File \(IMF\)](#). IMF is the authoritative data source for individual tax account data. However, IMF uses software written in an archaic language and requires specialized skills. IRS has been working to replace IMF for well over a decade. According to IRS, as of April 2023, the two suspended initiatives were still inactive. However, IRS's strategic operating plan identified a new retirement date of fiscal year 2028 for IMF.

GAO previously made recommendations in these areas.