



*A Shortened Delivery Cycle, High Volume of
Changes, and Missed Deadlines Increase the
Risk of a Delayed Start of the
2019 Filing Season*

September 25, 2018

Reference Number: 2018-24-064

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



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HIGHLIGHTS

A SHORTENED DELIVERY CYCLE, HIGH VOLUME OF CHANGES, AND MISSED DEADLINES INCREASE THE RISK OF A DELAYED START OF THE 2019 FILING SEASON

Highlights

Final Report issued on September 25, 2018

Highlights of Reference Number: 2018-24-064 to the Commissioner of Internal Revenue

IMPACT ON TAXPAYERS

The Tax Cuts and Jobs Act of 2017 made significant changes to the tax code affecting individuals, businesses, and tax-exempt organizations. It is the first major tax reform legislation in more than 30 years.

The IRS estimates that implementation will require creating or revising about 450 forms, publications, and instructions and modifying about 140 information technology systems to ensure that it can accommodate the newly revised tax forms.

WHY TIGTA DID THE AUDIT

This audit was initiated to provide a status of the Information Technology organization's progress to make system modifications required by the Tax Cuts and Jobs Act of 2017 (hereafter referred to as the Act) for the 2019 Filing Season.

WHAT TIGTA FOUND

The Information Technology organization's normal deadline for business units requesting information technology products and services for the next filing season is January 31st. With the passage of the Act in December 2017, the Information Technology organization established several interim deadlines to facilitate timely implementation of the Act's tax provisions. However, the business units missed the deadlines for submitting work request notifications and business requirements. Subsequently, the Information Technology organization set a new deadline of June 1, 2018,

for submitting final work request notifications. The most recent deadline shortened the time frame for making system changes for the 2019 Filing Season by four months. As of July 5, 2018, the Information Technology organization has not received all final work request notifications and business requirements. Delays in receiving this information will result in less time for modifying and testing systems and increases the risk of a delayed start of the 2019 Filing Season.

Another area of concern that could affect the timely implementation of the Act's tax provisions for the 2019 Filing Season is the IRS's ability to quickly fill critical positions that were vacated by employees or contractors. Due to the lengthy process to hire employees or bring contractors onboard, the positions might not be quickly filled causing risk to the timeliness of the information technology updates.

The IRS received \$320 million to implement the Act, allocating \$291 million it estimated would be needed for the information technology and ancillary operations support work. TIGTA calculated it would take more than 1.1 million labor hours based on the IRS's estimate of 542 full-time equivalents to implement the Act's tax provisions. The IRS plans to use current and new employees to meet these needs. As of June 2018, 117 current and new employees have been hired and entered on duty to meet these needs.

In addition, the Information Technology organization is planning to identify any potential negative impact on existing programs and projects caused by implementing the Act. As of July 16, 2018, the IRS had not provided documentation of any ongoing projects or programs that will be negatively affected by the implementation of the Act. TIGTA is continuing to review the Information Technology organization's efforts to implement the Act.

WHAT TIGTA RECOMMENDED

This report was prepared to provide information only. Therefore, no recommendations were made in the report.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 25, 2018

MEMORANDUM FOR COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – A Shortened Delivery Cycle, High Volume of Changes, and Missed Deadlines Increase the Risk of a Delayed Start of the 2019 Filing Season (Audit # 201820426)

This report presents the results of our review to determine the Information Technology organization's progress to make system modifications required by the Tax Cuts and Jobs Act of 2017¹ for the 2019 Filing Season. This review is part of our Fiscal Year 2018 discretionary audit coverage and addresses the major management challenge of Implementing Tax Law Changes.

The Treasury Inspector General for Tax Administration made no recommendations as a result of the work performed during this review. Management's complete response to the draft report is included as Appendix V. The Office of Audit's response to management's comments is included as Appendix VI. If you have any questions, please contact me or Danny R. Verneuille, Assistant Inspector General for Audit (Security and Information Technology Services).

¹ Pub. L. No. 115-97. Officially known as "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for Fiscal Year 2018."



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A Shortened Delivery Cycle, High Volume of Changes, and Missed Deadlines Increase the Risk of a Delayed Start of the 2019 Filing Season

Abbreviations

FTE	Full-Time Equivalent
IRS	Internal Revenue Service
IT	Information Technology
RRE	Rapid Requirements Elicitation
UWR	Unified Work Request
WRN	Work Request Notification



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Background

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act of 2017 (hereafter referred to as the Act).¹ The Act made significant changes to the tax code affecting individuals, businesses, and tax-exempt organizations. The Act contains 119 tax provisions administered by the Internal Revenue Service (IRS) that affect both domestic and international taxes. The Act is the first major tax reform legislation in more than 30 years. The IRS estimates that implementation will require creating or revising about 450 forms, publications, and instructions; and modifying about 140 information technology systems² (for tax return processing and compliance activities) to ensure that it can accommodate the newly revised tax forms and respond to an estimated four million additional telephone calls and taxpayer correspondence. The IRS is continuing to assess its systems to determine the ones that are affected by the Act.

The Information Technology (IT) organization's normal deadline for business units requesting information technology products and services for the next filing season is January 31st. For example, requests for system changes for the 2019 Filing Season would have been due by January 31, 2018. These requests are documented on Unified Work Request (UWR) forms. The UWR process is discussed later in the report.

This review was performed with information obtained from the IT organization's Applications Development organization at the New Carrollton Federal Building in Lanham, Maryland, and the Strategy and Planning organization at the IRS Headquarters in Washington, D.C., during the period May through July 2018. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

¹ Pub. L. No. 115-97. Officially known as "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for Fiscal Year 2018."

² See Appendix IV for a glossary of terms.



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Results of Review

Missed Deadlines and Potential Staffing Issues Could Increase the Risk of Not Timely Completing System Modifications

The *IRS Product Catalog* states that the Tax Forms and Publications Division uses the Work Request Notification (WRN) to document changes to a tax product or create a new tax product. The information from the WRN can be used to support any necessary work requested from the IT organization. Internal Revenue Manual 2.22.1, *Business Planning and Risk Management, Unified Work Request Process* (Apr. 11, 2017), states that the IT organization is committed to increasing customer satisfaction through effective registration and efficient response to demand for information technology products (e.g., computer hardware and new Commercial-Off-the-Shelf software products) and services (e.g., changes to IRS computer systems). Information technology products and services are managed through the UWR process to register demand for information technology resources. The process uses UWRs to represent a contract between the IT organization and the business. The UWR process focuses on collecting requests for the IT organization's products and services into a single system using a common set of processes and procedures. The Business Planning and Risk Management Division is responsible for the oversight of the IT organization's demand management program and the UWR process. This includes collecting all related detailed business requirements to enable the IT organization to properly review, assign, analyze, and respond (approve/deny) to the request.³ The IT organization will provide the cost and schedule for the implementation and/or delivery of any agreed upon information technology products or services. The requirements and estimated and actual costs and schedules are documented in a UWR form.

The IRS stated that from the IT organization perspective, filing season preparation is predominately based on tax forms rather than a provision-specific approach. The IRS estimates it will need to create 26 new forms and revise more than 150 existing tax forms for the Act. As of May 2018, the IT organization stated it had not identified any requirements that would not be implemented, but most of the UWRs reviewed were simple changes. Although the IT organization did not have a process to prioritize and schedule the system changes, it established deadlines to facilitate timely implementation of the Act's tax provisions. The following milestone dates indicate the delivery cycle for the 2019 Filing Season was shortened by four months (i.e., normal deadline of January 31, 2018, to the Act deadline of June 1, 2018).

³ A UWR does not have to be associated with a WRN.



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- March 30, 2018 – Submit all high-priority business requirements, including requirements for the highest priority forms, to the IT organization.
- April 30, 2018 – Submit all final WRNs to the IT organization.
- June 1, 2018 – Submit all business requirements and UWRs for the Act to the IT organization.
- July 1, 2018 – Finalize Core Record Layouts. Developers need the Core Record Layouts for their programming work.

The Tax Forms and Publications Division committed to provide draft WRNs by March 30, 2018, with final WRNs to be issued by April 30, 2018, but missed these deadlines. Subsequently, the IT organization set a new deadline of June 1, 2018, for submitting final WRNs. The IT organization communicated to the Tax Forms and Publications Division and the businesses the criticality of completing all requirements, as well as the possibility that the start of the 2019 Filing Season would be in jeopardy if the June 1, 2018, date was missed. The June 1, 2018, date to submit all business requirements, UWRs, and final WRNs for the Act to the IT organization was missed. One reason for not meeting the due dates was the late decision to create the Simplified Form 1040, *U.S. Individual Income Tax Return*, and the need to develop the form's requirements. Delays in receiving the required information will result in less time for modifying and testing systems.

In March 2018, the IT organization initiated an iterative requirements development process called the Rapid Requirements Elicitation (RRE). The RRE is a process to accelerate the gathering of programming requirements to allow the IT organization the maximum amount of time to implement the identified changes, identify gaps and risks earlier, and promote collaboration to ensure common understanding of the business need and the IT organization's feasibility. The RRE sessions use Integrated Project Teams that are made up of key members across the business and the IT organization. The Integrated Project Teams are based on form family, so that similar forms are discussed in the same RRE sessions. The five form families are:

- Form 1040, *U.S. Individual Income Tax Return*, family (individual).
- Form 1120, *U.S. Corporation Income Tax Return*, family (corporate).
- Form 1041, *U.S. Income Tax Return for Estates and Trusts*, Form 1065, *U.S. Return of Partnership Income*, and Form 1120-S, *U.S. Income Tax Return for an S Corporation*, family.
- Form 990, *Return of Organization Exempt From Income Tax*, family (tax exempt/government entity).
- Miscellaneous tax forms and information returns.

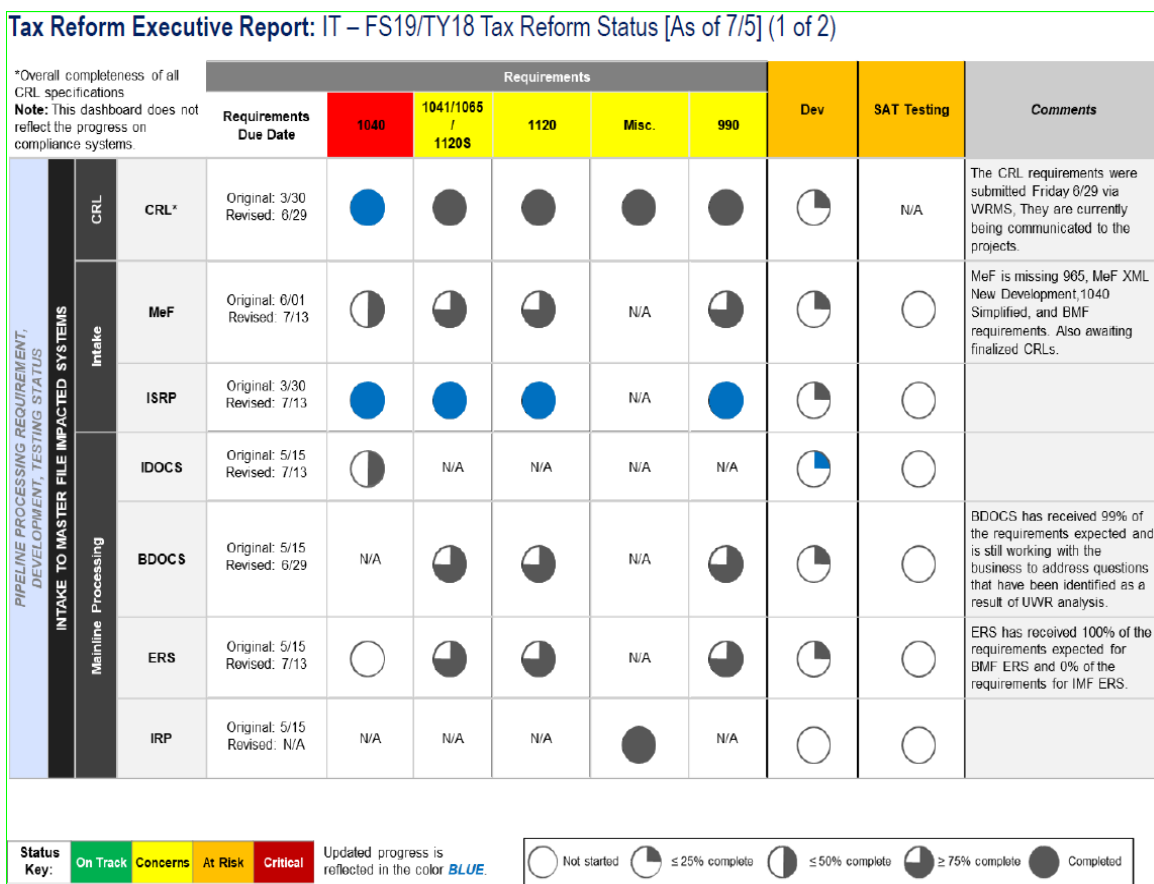


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The goal at the end of the RRE session is to have a completed WRN. The WRNs will be used to assist in preparing the UWRs which are needed to move forward with development.

The IT organization is tracking requirements gathering, development, and testing by form family and information technology systems. As of July 5, 2018, the IT organization still has not received all the Act's tax provision requirements. Figures 1 and 2 show the status of requirements gathering, development, and testing for 14 information technology systems.

Figure 1: Status of Requirements Gathering, Development, and Testing as of July 5, 2018, Page 1



Source: Tax Reform Implementation Executive Report dated July 10, 2018. (BDOCS - Business Master File Document Specific, BMF - Business Master File, CRL - Core Record Layout, Dev - Development, ERS - Error Resolution System, FS - Filing Season, IDOCS - Individual Master File Document Specific, IMF - Individual Master File, IRP - Information Returns Processing, ISRP - Integrated Submission and Remittance Processing, MeF - Modernized E-File, SAT - Systems Acceptance Testing, TY - Tax Year, XML - Extensible Markup Language)



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Figure 2: Status of Requirements Gathering, Development, and Testing as of July 5, 2018, Page 2

Tax Reform Executive Report: IT – FS19/TY18 Tax Reform Status [As of 7/5] (2 of 2)

Note: This dashboard does not reflect the progress on compliance systems

		Requirements					Dev	SAT Testing	Comments		
		Requirements Due Date	1040	1041/1065/1120S	1120	Misc.	990				
PIPELINE PROCESSING REQUIREMENT, DEVELOPMENT, TESTING STATUS, INTAKE TO MASTER FILE IMPACTED SYSTEMS	Mainline Processing	GUF	Original: 5/15 Revised: 7/13								GUF has received one Tax Reform WR.
	Fraud	RRP	Original: 5/15 Revised: 7/13				N/A				
	Master File	IMF	Original: 5/15 Revised: 7/13		N/A	N/A	N/A	N/A			IMF is approaching 25%. IMF awaits the business to provide method of processing, computation, and validation based on the 1040 form changes.
		BMF	Original: 5/15 Revised: 6/29	N/A			N/A				BMF is close to 100% but missing requirements for the 965 backend changes . Awaiting response from the business on open questions surrounding 965 processing.
	Notices	MasterFile Notices	Original: 6/30 Revised: 7/13				N/A				MasterFile Notices has received over 60% of their expected requirements. OTC is still working on Notice requirements.
		NRPS	Original: 6/30 Revised: 7/13				N/A				
		OLNR	Original: 6/30 Revised: 7/13				N/A				

Status Key: On Track (Green) Concerns (Yellow) At Risk (Orange) Critical (Red)

Updated progress is reflected in the color **BLUE**.

Legend: Not started ≤25% complete ≤50% complete ≥75% complete Completed

Source: Tax Reform Implementation Executive Report dated July 10, 2018. (BMF - Business Master File, Dev - Development, FS - Filing Season, GUF - Generalized Unpostable Framework, IMF - Individual Master File, NRPS - Notice Review Processing System, OLNLR - On Line Notice Review, OTC - Office of Taxpayer Correspondence, RRP - Return Review Program, SAT - Systems Acceptance Testing, TY - Tax Year, WR - Work Request)

During the week of June 18, 2018, the IT organization stated it was conducting an Act requirements gap analysis that it planned to conclude on June 22, 2018. The purpose of the analysis was to identify additional and missing requirements needed to complete the UWRs. When the IT organization meets with the businesses to inform them of the additional requirements needed, it will also inform them which non-Act UWRs will be delayed until the Act UWRs are implemented. The results of the gap analysis were not available as of July 5, 2018. The gap analysis results will be assessed in a follow-up audit. In addition, the IRS planned to deliver the Simplified Form 1040 requirements by June 29, 2018, and the finalized



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WRN soon afterwards. The final Simplified Form 1040 WRN was approved for circulation on July 12, 2018.⁴

In addition to creating the RRE process to expedite implementation of the Act's tax provisions, the IT organization identified and monitored risks and issues that could affect the timelines of the requirements development process. Applications Development management stated that IT organization executives identified three main concerns that could affect the timely development of the requirements for the tax provisions. The delay in receiving requirements was previously discussed. The other two concerns are:

- The ability to hire employees quickly (due to the on-boarding process). The IRS stated it needed to hire an employee to coordinate the UWRs across the Applications Development organization that will affect many tax law changes, including the Act. Another critical need was for a Technical Team Leader to backfill a position that is expected to be vacated. If the position is not filled, the remaining staff will be limited to working on only information technology break/fix changes. There will be no one to timely implement legislative changes.
- The ability to bring contractors onboard fast enough (because of the lengthy procurement process). A risks and issues register dated May 14, 2018, reported the following issue: If the Procurement organization cannot adequately and expeditiously support the effort to bring on contractors quickly to fill positions to mitigate critical positions vacated by contractors, then the IRS will not have enough contractors to deliver the 2019 Filing Season causing risk to deliverables and other activities.

Information Technology Spending Is Being Monitored, but Resource Needs and the Scope and Impact of Changes Will Remain Unclear Until Requirements Are Finalized

The IRS worked with the Department of the Treasury and estimated that implementation of the Act would cost approximately \$397 million and require 1,734 Full-Time Equivalents (FTE). Figure 3 contains a breakdown of funding and FTEs requested for each IRS function.

⁴ The WRN was final as of July 12, 2018, but it may change up until the start of the 2019 Filing Season.



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Figure 3: IRS Funding Requested

Funding Areas	Fiscal Years 2018 – 2019 (in millions)	FTEs
Taxpayer Assistance, Education, and Outreach	\$75	1,000
Tax Forms, Instructions, and Publications	\$3	15
Information Technology and Ancillary Operations Support	\$291	542
Published Guidance, Notices, Frequently Asked Questions	\$15	77
Tax and Information Returns Processing	\$8	100
Program Management	\$5	-
Totals	\$397	1,734

Source: Office of Management and Budget Tax Cuts and Jobs Act Briefing Final.

As stated in the prior finding section, requirements, estimated and actual costs, and schedules are documented in a UWR form. In addition, the Business Planning and Risk Management Division is responsible for oversight of the IT organization’s demand management program and the UWR process. The primary goal of the program is to register all demand for information technology products and services, and provide transparency for data driven decisionmaking for resource commitments.

In March 2018, the President signed the Consolidated Appropriations Act, 2018⁵ authorizing \$320 million for the IRS to implement the Act. In May 2018, the IRS allocated \$291 million of the funds for information technology⁶ and ancillary operations support work.⁷ The \$291 million covers the costs of the estimated 542 FTEs needed for the information technology and ancillary operations support work.⁸ We calculated it would take more than 1.1 million labor hours⁹ to implement the Act’s tax provisions. As of June 2018, 117 current and new employees have been hired and entered on duty to meet these needs.

As of May 2018, the IRS established 113 different time codes to track the IT organization labor hours expended for the implementation of the Act. The IT organization’s Financial Management

⁵ Pub. L. No. 115-141, Div. E (2018).

⁶ Information technology includes modifying existing tax processing systems to incorporate changes to credits, deductions, and brackets; establishing new system functionality and workflows; managing programs and integrating services.

⁷ Ancillary operations support includes tax reform human capital planning, acquisitions, and financial planning.

⁸ Information technology accounts for \$275 million/442 FTEs while ancillary operations support accounts for \$16 million/100 FTEs of the \$291 million/542 FTEs.

⁹ Calculated by multiplying 542 FTEs by 2,080 hours, which equals approximately 1.1 million hours.



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Services function is monitoring the expenditures each payroll cycle and provides reports to the Chief Information Officer biweekly.

The IRS used standard position descriptions for hiring efforts and has not defined specific knowledge, skills, abilities, and other requirements necessary for positions it expects to hire for work on the Act and/or back-filling existing positions due to personnel performing the Act work. This information is necessary to ensure that hiring efforts support successful implementation of the Act with limited impact on existing IT organization work.

The IRS warns that the FTE estimates were based in part on a review of systems with similar capabilities and requirements that the IRS has developed or modified for previous tax law changes, an internal assessment of provisions, and an ongoing third-party assessment. The estimates are subject to change as more information is gathered and processed. Once UWRs are created and finalized, the IRS will have better information for more precise FTE estimates.

The IRS stated that the IT organization planned to review submitted UWRs in June 2018 to improve its estimated needs and identify any negative impacts on existing programs and projects. As of July 16, 2018, the IRS had not provided documentation of any ongoing projects or programs that will be negatively affected by the implementation of the Act.

Funding from the Consolidated Appropriations Act, 2018 authorizing \$320 million to implement the Act was contingent on the IRS presenting a spending plan to the Congress. In May 2018, the IRS submitted the spending plan. Figure 4 shows the IRS allocated \$291 million of the \$320 million for the information technology and ancillary operations support work.



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Figure 4: IRS Allocation of Consolidated Appropriations Act Funding (in millions)

Funding Areas	Fiscal Year 2018 Taxpayer Services	Fiscal Year 2018 Enforcement	Fiscal Year 2018 Operations Support
Taxpayer Assistance, Education, and Outreach	\$15		
Tax Forms, Instructions, and Publications	\$2		
Information Technology and Ancillary Operations Support			\$291
Published Guidance, Notices, Frequently Asked Questions		\$7.5	
Tax and Information Returns Processing	\$2		
Program Management		\$2.5	
Totals	\$19	\$10	\$291

Source: IRS Fiscal Year 2018 Section 113 Spending Plan for Tax Reform, May 2018.

The current funding allocated from the Consolidated Appropriations Act, 2018 meets the current estimated needs for the information technology and ancillary operations support work to implement the Act. The IRS will report actual spending on a quarterly basis.

Included in the \$291 million is \$135 million for non-labor information technology expenses, including contract services. The IT organization plans to leverage existing contracts and issue new contract vehicles as appropriate. In addition, multiple Spend Plan items could use the same contract vehicle, or there could be multiple contract vehicles on a single Spend Plan item. The IT organization identified 114 unique Spend Plan items listed on the current Spend Plan. Of those, 11 have been substantially awarded,¹⁰ 34 are in procurement awaiting award, and 69 have not yet been submitted to procurement.

While the IRS is monitoring its spending, it will not be able to determine its resource needs or identify the full impact on existing programs and projects until requirements are finalized.

¹⁰ The Spend Plan action will be an additional task order on already existing contracts.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine the IT organization's progress to make system modifications required by the Tax Cuts and Jobs Act of 2017¹ (hereafter referred to as the Act) for the 2019 Filing Season. To accomplish our objective, we:

- I. Identified and reviewed the status and risks to the implementation of the 2019 Filing Season system changes required by the Act.
 - A. Identified and reviewed the status of information technology WRNs, UWRs, and requirements development for each 2019 Filing Season provision.
 - B. Identified any functionalities or provisions that would not be implemented.
 - C. Identified risks to the timelines of the requirements development process.
 - D. Identified the IT organization's process for and current status of prioritizing and scheduling all system changes.
- II. Identified and reviewed the status of the IT organization staff assigned to make system modifications required to implement the Act for the 2019 Filing Season.
 - A. Identified the status of hiring staff for the implementation of the Act.
 - B. Identified whether assigned IT organization staff working on the system modifications were reassigned from existing information technology projects or initiatives.
 - C. Identified the impact of staff reassignments from existing projects or initiatives (*e.g.*, project paused, functionality delayed, schedule extended).
- III. Identified and reviewed the allocation of the IT organization resources to the implementation of the Act.
 - A. Identified the allocation and status of funds authorized by the Consolidated Appropriations Act, 2018.²
 - B. Determined how the IRS plans to obtain the full funding needed (*e.g.*, reallocate funds from existing projects or initiatives, reallocate funds from other information

¹ Pub. L. No. 115-97. Officially known as "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for Fiscal Year 2018."

² Pub. L. No. 115-141, Div. E (2018).



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technology programs, reallocate funds from user fees or other sources, reduce functionality provided) because the additional funds authorized were less than the IRS estimated.

C. Identified the status of contract procurement in support of the Act.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: IRS estimates on needed funding and FTEs for information technology and ancillary support operations work, risk and issues documentation, and IRS's policies and procedures for submitting and responding to work requests for IT organization services and products. We evaluated these controls by interviewing IRS management from offices such as the Human Capital Office, the IT organization's Applications Development organization and Strategy and Planning's Financial Management Services function. In addition, we reviewed IRS documentation related to the implementation of the Act, risks and issues registers, status presentations, and Internal Revenue Manual 2.22.1, *Business Planning and Risk Management, Unified Work Request Process* (Apr. 2017).



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Appendix II

Major Contributors to This Report

Danny R. Verneuille, Assistant Inspector General for Audit (Security and Information
Technology Services)
John L. Ledford, Director
Michael Mohrman, Audit Manager
Tina Wong, Lead Auditor
Benjamin Bryant, Senior Auditor



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Appendix III

Report Distribution List

Deputy Commissioner for Operations Support
Deputy Commissioner for Services and Enforcement
Chief Information Officer
Chief, Procurement
Commissioner, Wage and Investment Division
IRS Human Capital Officer
Associate Chief Information Officer, Applications Development
Associate Chief Information Officer, Strategy and Planning
Director, Office of Audit Coordination



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Appendix IV

Glossary of Terms

Term	Definition
Commercial-Off-the-Shelf	Pre-packaged, vendor-supplied software that will be used with little or no modification to provide all or part of the solution.
Core Record Layout	A technical user guide that contains graphic representations of the data for use by programmers.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
Full-Time Equivalent	A measure of labor hours in which one FTE is equal to eight hours multiplied by the number of compensable days in a particular fiscal year.
Gap Analysis	A technique that businesses use to determine what steps need to be taken in order to move from its current state to its desired, future state.
IRS Product Catalog	A list of IRS products used internally by the IRS (<i>e.g.</i> , Form 14216, <i>Tax Forms and Publications Work Request Notification and Circulation</i>) or externally by the public (<i>e.g.</i> , Form 1040, <i>U.S. Individual Income Tax Return</i>).
Issue	A situation or condition that either (1) currently has negative consequences for the program/project or (2) has a 100 percent probability of having negative consequences for the program/project.
Iterative	A process for arriving at a desired result by repeating cycles of operations. The objective is to bring the desired result closer with each repetition.
Requirement	The formalization of a need and the statement of a capability or condition that a system, subsystem, or system component must have or meet to satisfy a contract, standard, or specification.
Risk	An uncertain event or condition that, if it occurs, has a negative effect on the project.



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Term	Definition
Spend Plan	A comprehensive and unified plan of action for carrying out the programs of the IRS during a specified period, expressed in terms of work to be done and staffing and dollars to be devoted thereto.
System	A set of interdependent components that perform a specific function and are operational. It may also include software, hardware, and processes.



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Appendix V

Management's Response to the Draft Report



CHIEF INFORMATION OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

August 24, 2018

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

S. Gina Garza 
Chief Information Officer

SUBJECT:

Draft Audit Report – A Shortened Delivery Cycle, High Volume of Changes, and Missed Deadlines Increase the Risk of a Delayed Start of the 2019 Filing Season (Audit # 201820426)

Thank you for the opportunity to review the draft audit report and meet with the audit team to discuss our concerns. Internal Revenue Service (IRS) Information Technology (IT) is committed to implementing the modifications required by the Tax Cuts and Jobs Act (TCJA) of 2017 and ultimately providing a successful filing season for the American Taxpayers.

Through increased collaboration and pre-coordination between the Business and IT, the IRS has been able to gather over 16,000 Business requirements in three months, as compared to the normal timeline of four to seven months. The IRS has created new forums and governance structures to increase communication, collaboration, and alignment across critical IT stakeholders and implement tax reform changes, including an Executive Oversight Team comprised of IT leaders. The IRS has also secured adequate funding and hiring flexibility for tax reform implementation, and proactively addresses outstanding resource gaps.

We have identified several discrepancies in the report that we would like to address. The report indicates deadlines for Work Request Notifications (WRN) were missed. However, we'd like to point out that all, except for the Form 1040, were delivered as of April 30, 2018. The updated Simplified Form 1040 WRN was approved for circulation on July 12, 2018. Although the dates in the report are roughly right, we do want to highlight that the gap analysis date of June 22 is not correct; mid-August has always been the target completion for the gap analysis. Additionally, there is a statement related to prioritization methodologies and the Rapid Requirements Elicitation (RRE) that needs further clarification. The report states that the IT organization does not have a process to prioritize and schedule the system changes. This is incorrect as IT has been utilizing normal filing season processes to prioritize and schedule system changes to facilitate timely implementation of the Act's tax provisions. The report indicates that



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the goal at the end of the RRE sessions is to have a completed WRN, a more accurate representation is that WRNs are an input to RRE. The goal of RRE is to have a complete set of requirements associated with a form and a provision that can then be attached to a Unified Work Request to continue the development process.

To fully implement all the provisions listed in the TCJA, IRS IT will continue to work diligently to manage updated requirements from all business units. It is critical to understand that the IRS follows a repeatable process each year to deliver a smooth filing season. To support the modifications required by TCJA, the IRS has accelerated its approach and implemented techniques used for large legislative changes. IRS IT appreciates that the report notes the amount of effort we have expended to implement these changes in such a short amount of time. It must also be noted that although the fieldwork for this audit ended on June 30, 2018, the IRS is continuing to implement changes and updates. This evolution will be visible as TIGTA conducts its follow-on audit.

The IRS values your continued support and the assistance your organization provides. If you have any questions, please contact me at (202) 317-5000 or a member of your staff may contact Carmelita White, Senior Manager of Program Oversight Coordination, at (240) 613-2191.

Attachment



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Appendix VI

Office of Audit Comments on Management's Response

IRS management's response included some assertions about the accuracy of the information in the audit report that we believe warrant additional comment. We have included portions of management's response and our related comments below.

Management's Response: *The report indicates deadlines for WRN were missed. However, we'd like to point out that all, except for the Form 1040, were delivered as of April 30, 2018. The updated Simplified Form 1040 WRN was approved for circulation on July 12, 2018.*

Office of Audit Comment: As the IRS noted, the Simplified Form 1040 was not approved until July 2018; therefore, it missed the deadline. In addition, in a June 2018 IRS Commissioner's Tax Reform Executive Steering Committee briefing, the IRS reported that 100 percent of the final WRNs were not delivered to the IT organization by April 30, 2018, and was a critical issue.

Management's Response: *Although the dates in the report are roughly right, we do want to highlight that the gap analysis date of June 22 is not correct; mid-August has always been the target completion for the gap analysis.*

Office of Audit Comment: During a June 19, 2018, meeting, the IRS informed us that June 22, 2018, was when it planned to complete the gap analysis. The mid-August date was not mentioned during the meeting and no documentation was provided to support the mid-August date. Subsequently, we located documentation indicating the gap analysis was scheduled to be completed by July 31, 2018.

Management's Response: *Additionally, there is a statement related to prioritization methodologies and the RRE that needs further clarification. The report states that the IT organization does not have a process to prioritize and schedule the system changes. This is incorrect as IT has been using normal filing season processes to prioritize and schedule system changes to facilitate timely implementation of the Act's tax provisions.*

Office of Audit Comment: During a May 23, 2018, meeting, the IRS stated that it did not have a process to prioritize and schedule the system changes. It did not state that it was using the normal filing season processes and did not provide documentation to support its statement.

Management's Response: *The report indicates that the goal at the end of the RRE sessions is to have a completed WRN, a more accurate representation is that WRNs are an input to RRE.*



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The goal of RRE is to have a complete set of requirements associated with a form and a provision that can then be attached to a UWR to continue the development process.

Office of Audit Comment: The April 2018 IRS Commissioner's Tax Reform Executive Steering Committee Meeting notes state that the goal is to walk away with a completed WRN.