

Area of Focus #3

The IRS's Enterprise Case Management Project Shows Promise, But to Achieve 21st Century Tax Administration, the IRS Needs An Overarching Information Technology Strategy With Proper Multi-Year Funding

TAXPAYER RIGHTS IMPACTED¹

- *The Right to Quality Service*
- *The Right to a Fair and Just Tax System*

DISCUSSION

The National Taxpayer Advocate has previously written about how the IRS's information technology (IT) systems, and particularly its case management systems, require a significant investment of funding to promote efficiency gains, improve taxpayer service, and develop 21st century compliance approaches.² An adequately funded, staffed, and skilled IRS IT function underpins all core tax administration activities, including taxpayer service, prompt issuance of refunds, selection and assignment of compliance work, and protection of taxpayers and the public from refund fraud and identity theft.

The current state of IRS technology substantially limits the IRS's ability to carry out effective tax administration. For example, the IRS currently possesses the two oldest information system databases, each nearly six decades old, in the entire federal government.³ The IRS's technology issues came to the fore on Tax Day 2018, as IRS systems crashed, preventing taxpayers from submitting their tax returns and payments and necessitating the IRS to grant a one-day extension.⁴

The IRS has been working on an enterprise case management (ECM) project over the past few years and has identified more than 60 separate case management systems to include in the project. The age, number, and lack of integration across these systems, as well as the lack of digital communication and record keeping, cause waste and delay, and make it difficult for IRS employees, including those in TAS, to perform their jobs efficiently and provide quality service to taxpayers. This causes frustration for taxpayers and IRS employees alike.

- 1 See Taxpayer Bill of Rights (TBOR), www.TaxpayerAdvocate.irs.gov/taxpayer-rights. The rights contained in the TBOR that was adopted by the IRS are now listed in the Internal Revenue Code (IRC). See Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, Div. Q, Title IV, § 401(a) (2015) (codified at IRC § 7803(a)(3)).
- 2 See, e.g., National Taxpayer Advocate 2016 Annual Report to Congress 109-120 (Most Serious Problem: *Enterprise Case Management (ECM): The IRS's ECM Project Lacks Strategic Planning and Has Overlooked the Largely Completed Taxpayer Advocate Service Integrated System (TASIS) As a Quick Deliverable and Building Block for the Larger ECM Project*); *Joint Hearing On Continued Oversight Over the Internal Revenue Service Before H. Subcomm. on Health Care, Benefits, and Administrative Rules and H. Subcomm. on Government Operations*, 115th Cong. 46-48 (2018) (statement of Nina E. Olson, National Taxpayer Advocate).
- 3 See Government Accountability Office (GAO), GAO-16-468, *Information Technology: Federal Agencies Need to Address Aging Legacy Systems* (May 2016) (discussing aging Information Technology (IT) systems throughout the government and listing the IRS's Individual Master File and Business Master File as the two oldest investments or systems at 56 years old each).
- 4 See Jeff Stein, Damian Paletta, and Mike DeBonis, *IRS to Delay Tax Deadline by One Day After Technology Collapse*, THE WASHINGTON POST, Apr. 17, 2018, https://www.washingtonpost.com/business/economy/irs-electronic-filing-system-breaks-down-hours-before-tax-deadline/2018/04/17/4c05ecae-4255-11e8-ad8f-27a8c409298b_story.html?noredirect=on&utm_term=.fc6604bd294b.

The IRS has adopted the approach that Enterprise Case Management will have the *taxpayer as the center of the system*.

The IRS's current case management system structure requires employees to retrieve data from many systems manually, which, in turn, requires maintaining both paper and electronic records. Employees transcribe or otherwise import information from paper and other systems into their own case management systems, and ship, mail, or fax an estimated hundreds of thousands, if not millions, of case management files and supporting documents annually within or between business functions for activities such as casework, management approval, quality review, and responses to Appeals and Counsel. In addition, in many circumstances, IRS employees must create "workarounds" due to current case management system limitations.⁵

To address these problems, ECM requires a significant investment of both time and money to promote productivity and efficiency gains, and to improve taxpayer service. Indeed, success of the ECM project is critical to establish online accounts to effectively serve taxpayers and their representatives. ECM is necessary both to integrate different IRS systems and to link to some existing systems.

The National Taxpayer Advocate continues to support the IRS's ECM efforts and need for adequate funding and is particularly encouraged by the progress that the IRS has made in the last year or so. However, she emphasizes that:

- The IRS needs to continue to use the lessons learned from a failed earlier iteration of the ECM project as it moves forward with its current ECM effort; and
- The IRS needs to continue to leverage the extensive investment of time, money, and effort expended on the Taxpayer Advocate Service Integrated System (TASIS), and use its design work and lessons learned in the current ECM project.

The IRS Needs to Continue to Use the Lessons Learned From a Failed Earlier Iteration of the Enterprise Case Management Project As It Moves Forward With Its Current Enterprise Case Management Effort

As the National Taxpayer Advocate discussed in recent congressional testimony, the IRS did not properly vet the software product that it selected for the ECM project, despite the software's failure with other IRS case management projects.⁶ The IRS also did not seek a product that would be a better fit for its case management needs. As a result, the IRS spent tens of millions of dollars on work that it ultimately cannot use for the ECM project.⁷

However, despite this failure and waste of funds, the IRS has regrouped and refocused its ECM efforts under new leadership over the last year or so. Realizing and acknowledging the flaws with its past efforts, the IRS has refocused its efforts, and the National Taxpayer Advocate is encouraged by its

⁵ The IRS identified more than 400 such workarounds. IRS, *Enterprise Case Management (ECM) Program Business Consensus Meeting 5* (Mar. 21, 2018).

⁶ See *Joint Hearing On Continued Oversight Over the Internal Revenue Service Before H. Subcomm. on Health Care, Benefits, and Administrative Rules and H. Subcomm. on Government Operations*, 115th Cong. 47 (2018) (statement of Nina E. Olson, National Taxpayer Advocate); see also National Taxpayer Advocate 2016 Annual Report to Congress 116 (Most Serious Problem: *Enterprise Case Management (ECM): The IRS's ECM Project Lacks Strategic Planning and Has Overlooked the Largely Completed Taxpayer Advocate Service Integrated System (TASIS) As a Quick Deliverable and Building Block for the Larger ECM Project*).

⁷ See, e.g., National Taxpayer Advocate 2016 Annual Report to Congress 115 (Most Serious Problem: *Enterprise Case Management (ECM): The IRS's ECM Project Lacks Strategic Planning and Has Overlooked the Largely Completed Taxpayer Advocate Service Integrated System (TASIS) As a Quick Deliverable and Building Block for the Larger ECM Project*).

recent ECM approach. For example, the IRS has issued multiple requests for information to industry and scheduled demonstrations to learn about potential case management solutions and products.⁸ The IRS has also reached out to other federal agencies and state governments to learn about their ECM experiences, as previously recommended by the National Taxpayer Advocate.⁹ The IRS appears to be setting realistic timelines for ECM progress and is sticking to them.

Most importantly, the IRS has adopted the approach that the ECM will have the *taxpayer as the center of the system*. That is, data would be arrayed by taxpayer record, rather than the current approach which isolates taxpayer records in numerous systems based on the related IRS operations, few of which communicate with each other. Today, no IRS employee, much less the taxpayer or the taxpayer representative, has a 360-degree view of the taxpayer's account and interactions with the IRS.

The IRS Needs to Continue to Leverage the Extensive Investment of Time, Money, and Effort Expended on the Taxpayer Advocate Service Integrated System, and Use the Design Work and Lessons Learned in the Current Enterprise Case Management Project

As the National Taxpayer Advocate has recommended in the past, the IRS is actively engaging TAS in the ECM process and using the lessons learned from the development of the now derailed TASIS in its current ECM effort. As discussed in the 2016 Annual Report to Congress, TAS worked over several years to develop more than 4,500 business requirements for TASIS.¹⁰ It is critical that the IRS continue to leverage the extensive business requirements, development, and process design work that went into TASIS as it continues to pursue an ECM solution. The IRS can use the lessons learned from the development of TASIS in its current ECM effort to reimagine its business processes and make them more efficient and user-friendly, thereby enabling it to thrive technologically in the 21st century.¹¹

Enterprise Case Management is critical for the IRS to be a 21st century tax agency and allow IRS employees to properly do their jobs and provide 21st century service to taxpayers.

The National Taxpayer Advocate is also encouraged that the IRS is engaging its employees in its current ECM effort, which she has recommended in the past.¹² For example, the IRS has been engaging its business units to learn about current processes, systems, and workarounds. As a result, as mentioned above, the IRS has learned of several hundred workarounds used by IRS employees to deal with gaps and shortcomings in their current case management systems or business processes. This information will be valuable as the IRS works to design its new ECM system.

Active and comprehensive employee engagement at the outset of the ECM project is critical ECM foundational work, and is what TAS did when it developed TASIS, which was designed as a comprehensive replacement for its largely obsolete current case management system called the Taxpayer Advocate Management Information System. IRS employees are the front-line users of IRS

8 For a description of an IRS Request for Information, see <https://www.fbo.gov/index?s=opportunity&mode=form&id=f2ef8e74927e11203cc978340993624e&tab=core&tabmode=list&> (last visited Apr. 4, 2017).

9 See National Taxpayer Advocate 2016 Annual Report to Congress 114.

10 See National Taxpayer Advocate 2016 Annual Report to Congress 117 (Most Serious Problem: *Enterprise Case Management (ECM): The IRS's ECM Project Lacks Strategic Planning and Has Overlooked the Largely Completed Taxpayer Advocate Service Integrated System (TASIS) As a Quick Deliverable and Building Block for the Larger ECM Project*).

11 National Taxpayer Advocate Fiscal Year 2018 Objectives Report to Congress 104.

12 See National Taxpayer Advocate 2016 Annual Report to Congress 114 (Most Serious Problem: *Enterprise Case Management (ECM): The IRS's ECM Project Lacks Strategic Planning and Has Overlooked the Largely Completed Taxpayer Advocate Service Integrated System (TASIS) As a Quick Deliverable and Building Block for the Larger ECM Project*); National Taxpayer Advocate Fiscal Year 2018 Objectives Report to Congress 103.

systems, and understanding their interactions with those systems and ways to make current processes and procedures more efficient is crucial to having a more functional and polished ECM product that will maximize employee productivity and ultimately benefit taxpayers and practitioners.

TAS is committed to continue working with the IRS to develop an ECM solution and is willing to assist with the testing of new products as the IRS ultimately designs and programs the new ECM system. TAS is well-situated for such a testing role, as it has a taxpayer-centric view as well as ECM experience from its development of TESIS.

The IRS Requires Multi-Year Funding to Completely Upgrade and Revamp Its Information Technology Infrastructure, Including Enterprise Case Management

As mentioned above, the IRS's computer systems crashed on Tax Day 2018, preventing taxpayers from submitting their tax returns and payments and necessitating the IRS to grant a one-day extension.¹³ The crash was attributed to an issue with an 18-month-old piece of hardware supporting the IRS's Individual Master File system, which dates back to 1960.¹⁴ Indeed, the potential for the failure of IRS systems during the filing system had been mentioned only a month before the crash.¹⁵

As highlighted by the systems crash on Tax Day, the IRS's IT systems are antiquated and it desperately needs to upgrade and revamp its IT infrastructure, including ECM. To accomplish this daunting task, the IRS should formulate a clear, comprehensive multi-year plan, complete with milestones, that can demonstrate to Congress that the IRS needs multi-year funding for this endeavor. For a project of this magnitude, the uncertainty and fluctuations of the annual appropriations process will not work. The National Taxpayer Advocate notes that members of Congress have recently introduced legislation that would address the modernization, management, and development of IRS IT, and the House passed one of these bills.¹⁶ However, although this proposed legislation is a step in the right direction, it is unlikely to affect the desired change unless Congress also provides multi-year IT funding, with the appropriate oversight and milestones.

13 See Jeff Stein, Damian Paletta, and Mike DeBonis, *IRS to Delay Tax Deadline by One Day After Technology Collapse*, THE WASHINGTON POST, Apr. 17, 2018, https://www.washingtonpost.com/business/economy/irs-electronic-filing-system-breaks-down-hours-before-tax-deadline/2018/04/17/4c05ecae-4255-11e8-ad8f-27a8c409298b_story.html?noredirect=on&utm_term=.fc6604bd294b.

14 See Aaron Boyd and Frank Konkol, *IRS' 60-Year-Old IT System Failed on Tax Day Due to New Hardware*, NEXTGOV (Apr. 19, 2018), <https://www.nextgov.com/it-modernization/2018/04/irs-60-year-old-it-system-failed-tax-day-due-new-hardware/147598/>.

15 See Frank Konkol, *The IRS System Processing Your Taxes is Almost 60 Years Old*, NEXTGOV (Mar. 19, 2018) (quoting the GAO's director of IT management issues, who stated: "To IRS's credit, it keeps these old systems running during the file season, but relying on these antiquated systems for our nation's primary source of revenue is highly risky, meaning the chance of having a failure during the filing season is continually increasing."), <https://www.nextgov.com/it-modernization/2018/03/irs-system-processing-your-taxes-almost-60-years-old/146770/>.

16 On March 21, 2018, Representative Walorski introduced legislation that would modernize and improve the management of IRS information technology, including ECM. See IRS Information Technology Accountability Act, H.R. 5362, 115th Cong. (2018). On April 10, 2018, Representative Bishop, along with several other representatives, introduced legislation that included provisions to modernize IRS information technology. This legislation was passed by the House on April 18, 2018. See 21st Century IRS Act, H.R. 5445, 115th Cong. (2018).

CONCLUSION

ECM is critical for the IRS to be a 21st century tax agency and allow IRS employees to properly do their jobs and provide 21st century service to taxpayers. The IRS requires substantially more multi-year funding for IT in general and ECM specifically. However, given its past ECM failures, it is imperative that the IRS be transparent in its efforts and articulate a clear strategy that will assure both Congress and taxpayers that it will spend this money appropriately. The National Taxpayer Advocate encourages Congress to monitor the IRS's IT and ECM spending closely (perhaps by conditioning funding on the achievement of certain milestones) and not simply hand the IRS a blank check.

FOCUS FOR FISCAL YEAR 2019

In fiscal year 2019, TAS will:

- Continue to collaborate with the IRS in the ECM development process, particularly by lending its case management building expertise and sharing TASI's relevant business requirements, design work, and lessons learned from this process;
- Work with the IRS to assist with the testing of new products, as the IRS designs and programs the new ECM system; and
- Advocate that Congress provide multi-year funding for the IRS to completely upgrade and revamp its IT infrastructure, including ECM.