

## IRIS: Processing of Income and Corporate Taxes

MAY 2009 08DP-06 IS AUDIT SUMMARY

### Introduction

The Integrated Revenue Information System (IRIS) is a computer system implemented by the Department of Revenue (DOR) to maintain taxpayer records and process tax revenue. IRIS is a commercial-off-the-shelf system developed by a third-party vendor. In addition, IRIS has been customized to address the specific needs of the State of Montana. To date, the ability to process 38 of 39 tax types has been implemented, with only property tax being administered by a separate system. The final component, allowing for online e-filing through IRIS, is scheduled to be completed by June 2009.

IRIS is comprised of ten core modules, each providing different functions critical in tax administration. These modules are used by DOR users to maintain taxpayer records, process returns and payments, issue refunds, apply late penalties and interest rates, and identify and activate collection cases. In addition, IRIS is used as a tool to track tax audits, mail returns, and maintain tax-related transactions. Outside of the core functioning modules, DOR has developed modules specific to Montana, primarily to assist in customer relations, including a call center module used to track taxpayer calls and a fraud module, which retains returns suspected as fraudulent.

### Audit Findings

All IRIS components and functionality within IRIS play important roles in the tax administration process; however, IRIS consists of multiple modules and tax types. Because of the complexity and size of the system, we limited audit scope. Through our assessment of audit risk we identified creation and maintenance of taxpayer records, input of tax returns and payments, and processing of transactions as key elements of the IRIS system. As a result, our audit work focused on those functions, which include the Customer, Returns, Payments, and Transaction modules of IRIS. In addition, we limited our audit work to tax data and processing associated with individual income and corporate tax, which on an annual basis produce the majority of tax returns and revenue for the department.

#### Revenue has Controls

ensuring IRIS is accurately processing individual income and corporate tax submissions.

This report discusses the work performed during this audit, including findings and recommendations. Overall, we conclude DOR has controls in place to ensure IRIS is accurately processing individual income and corporate tax submissions, as well as adequately securing the IRIS application. However, we did identify areas where DOR can improve. This report includes three recommendations for DOR to identify inappropriate and unauthorized changes to programming code and database tables, identify and remove access from terminated employees, and implement and test a disaster recovery plan.