



MONTANA LEGISLATIVE AUDIT DIVISION

INFORMATION SYSTEMS AUDIT

IRIS: Processing of Individual Income and Corporate Tax Records

Department of Revenue

MAY 2009

08DP-06

REPORT SUMMARY

The Integrated Revenue Information System replaced the department's old POINTS system, and processes all tax types with the exception of property tax.

Context

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 (COTS) system developed by a third-party vendor, and has been customized to address the specific needs of the State of Montana. IRIS processes 38 of 39 tax types.

The system is used by DOR to maintain taxpayer records, process returns and payments, issue refunds, apply late penalties and interest rates, identify and activate collection cases, track tax audits, mail returns, and maintain tax-related transactions. DOR has also 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.

We limited our review to creation and maintenance of taxpayer records, input of tax returns and payments, and processing of transactions related to individual income and corporate tax.

Results

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 including identifying and removing access from terminated employees, identifying inappropriate and unauthorized changes to programming code and database tables, and implementing and testing a disaster recovery plan.

A primary means of protecting confidential and sensitive data is to limit access to it. DOR has implemented a policy of 'least privilege' where access is granted based on job requirements. Although DOR has effectively implemented a process to limit access to IRIS, improvements can be made in managing existing user accounts. We identified nine individuals who no longer work for DOR, but still had active access to IRIS.

Another area where DOR can improve when granting access is to limit the ability of IRIS developers to make changes directly to programming code and database data, thus bypassing change control procedures. Best practices require segregation of duties; however, DOR claims there are not enough qualified staff to segregate duties between development and migration. Without segregation of duties, there should be some type of compensating control.

Finally, an important responsibility of DOR is to maintain the availability of IRIS in the event of a disaster or major outage; however, we noted DOR has not developed a disaster recovery plan to recover IRIS.

Recommendation Concurrence	
Concur	3
Partially Concur	0
Do Not Concur	0

Source: Agency audit response included in final report.

For a complete copy of the report or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the website at <http://leg.mt.gov/audit>. Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE Call toll-free 1-800-222-4446, or e-mail lad@mt.gov.