



Treasury Inspector General for Tax Administration Office of Audit

IMPROVED OVERSIGHT IS NEEDED TO EFFECTIVELY PROCESS WHISTLEBLOWER CLAIMS

Issued on April 30, 2012

Highlights

Highlights of Report Number: 2012-30-045 to the Internal Revenue Service Director, Whistleblower Office.

IMPACT ON TAXPAYERS

The IRS has authority to pay awards to whistleblowers for credible information relating to violations of Internal Revenue laws that result in the Federal Government's recovery of taxes, penalties, interest, and additional amounts collected. Without adequate oversight of whistleblower claims, the IRS is not as effective as it could be in responding timely to tax noncompliance issues. Also, the IRS's effort to improve compliance is important in reducing the Tax Gap and maintaining the integrity of the voluntary tax compliance system.

WHY TIGTA DID THE AUDIT

In August 2009, TIGTA issued a report citing deficiencies in the IRS's internal controls and timely resolution of whistleblower claims. The objective of this review was to follow up on the adequacy of the corrective actions the IRS agreed to take on the Fiscal Year 2009 reported internal control weaknesses.

WHAT TIGTA FOUND

The IRS did not fully and adequately address the prior reported internal control weaknesses on the processing of whistleblower claims. In our prior report, TIGTA found that information captured on three inventory systems was inaccurate. In this review, TIGTA determined that employees manually transferred claim information from the three systems into a single inventory control system, Entellitrak. However, IRS officials did not ensure steps were taken to reconcile and correct the inaccurate information that was reported in our Fiscal Year 2009 review.

TIGTA also determined that Whistleblower Program officials did implement a quality review process to ensure claims are accurately controlled in the Entellitrak system. However, guidance to employees did not specify that employees review the received date of a claim, which is critical when reporting business results to internal and external stakeholders. During this review, TIGTA

determined that additional reports could be generated to evaluate the effectiveness of the Whistleblower Program. Also, timeliness standards for processing claims have not been fully established, and the existing monitoring process was not fully developed to improve efficiencies with processing whistleblower claims in the IRS operating divisions.

In August 2011, the Government Accountability Office issued a report on the IRS's Whistleblower Program that included eight recommendations. These recommendations focused on the IRS collecting more information in its claim tracking system and case processing activities, and incorporating more data when reporting on the effectiveness of the Whistleblower Program.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report because the IRS Whistleblower Office is addressing the Government Accountability Office's August 2011 report recommendations. The IRS plans to fully implement its corrective actions to the Government Accountability Office report by October 15, 2012.

While TIGTA did not make any recommendations in this report, the Whistleblower Office provided comments indicating that "direct access to the information system was not provided after discussions and agreement between the Whistleblower Office and TIGTA management." The Whistleblower Office and TIGTA management actually agreed to an alternative method to obtain audit work from the case management system as a substitute for direct access so that TIGTA could continue the audit. However, the alternative method was not effective, and TIGTA did not receive direct access to the case management system. Therefore, TIGTA was unable to independently determine whether the system data were reliable.

Additionally, the Whistleblower Office commented that "it is important to note that no instances of errors in the received data have been identified." As cited in the audit report, TIGTA was unable to validate the accuracy of the received date because independent and direct access to the case management system was denied. Also, Whistleblower Office quality review procedures do not specifically instruct employees to review the received date of a claim, which is critical when reporting business results to internal and external stakeholders.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2012reports/201230045fr.pdf>