



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

February 3, 2010

The Honorable J Russell George
Inspector General
Treasury Inspector General for Tax Administration
1125 15th St. NW, Suite 700
Washington, D.C. 20005

Subject: *System Review Report on the External Peer Review of the Treasury Inspector General for Tax Administration Audit Organization*

Dear Mr. George:

Attached is the final System Review Report for the Inspector General for Tax Administration audit organization. We conducted this review in accordance with the Government Auditing Standards and the Council of the Inspectors General on Integrity and Efficiency guidelines. Your response did not have any comments to the draft report as indicated in enclosure 2.

We thank you and all your staff that we dealt with for your assistance and cooperation during the conduct of the review.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Rodenick", is written over a horizontal line.

Bill Rodenick
Acting Inspector General
U.S. Environmental Protection Agency

Attachment

cc: Preston Benoit
Director, Office of Management and Policy Office of Audit Treasury
Inspector General for Tax Administration



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

System Review Report

February 3, 2010

The Honorable J. Russell George
Inspector General
Treasury Inspector General for Tax administration

We have reviewed the system of quality control for the audit organization of Treasury Inspector General for Tax Administration (TIGTA) in effect for the year ended March 31, 2009. A system of quality control encompasses TIGTA's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. TIGTA is responsible for designing a system of quality control and complying with it to provide the Internal Revenue Service (IRS) with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and TIGTA's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed TIGTA personnel and obtained an understanding of the nature of the TIGTA audit organization, and the design of the TIGTA's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the TIGTA's system of quality control. The engagements selected represented a reasonable cross-section of the TIGTA's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with TIGTA management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the TIGTA's audit organization. In addition, we tested compliance with the TIGTA's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the TIGTA's policies and procedures on selected engagements. Our review was based on selected tests; therefore, it would not necessarily

detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Enclosure 1 to this report identifies the offices of the TIGTA that we contacted and the engagements that we reviewed.

In our opinion the system of quality control for the audit organization of TIGTA in effect for the year ended March 31, 2009, has been suitably designed and complied with to provide TIGTA with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. TIGTA has received a peer review rating of *pass*.

As is customary, we have also issued a letter that sets forth a finding that was not considered to be of sufficient significance to affect our opinion expressed in this report.



Bill A. Roderick
Acting Inspector General
U.S. Environmental Protection Agency

Enclosures

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

We tested compliance with the TIGTA audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 10 of 103 audit and attestation reports issued during the semiannual reporting periods April 1, 2008, through September 30, 2008 and October 1, 2008 through March 31, 2009. We also reviewed the internal quality control reviews performed by TIGTA.

We contacted the Atlanta, GA; Kansas City, KS; Brookhaven, NY; Chicago, IL; Cincinnati, OH; Dallas, TX; Denver, CO; Philadelphia, PA; Ogden, UT; Baltimore, MD; and Washington, DC offices of TIGTA.

TIGTA Engagements Reviewed

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
2008-10-172	9/22/2008	An Estimated \$1.6 Billion in Fraudulent Refunds Was Issued During the 2006 and 2007 Filing Seasons
2008-20-143	7/17/2008	Control Weaknesses at Internal Revenue Service Internet Connections Increase Security Risks
2008-30-157	9/10/2008	The Internal Revenue Service and Contractors Are Generally Following Procedures Established for the Private Debt Collection Program, but Improvements Are Needed
2008-40-125	6/17/2008	Improvements in the Distribution and Design of Internal Documents and Tax Publications, Forms and Notices Could Reduce Costs Considerably
2008-40-183	9/30/2008	The 2008 Filing Season Was Generally Successful Despite the Challenges of Late and Unexpected Tax Legislation
2009-10-039	2/20/2009	Tax Practitioners Promoting Abusive Tax Shelters Are Still Able to Represent Taxpayers Before the Internal Revenue Service
2009-10-041	2/24/2009	Workforce Planning Efforts Are Hindered by a Lack of Comprehensive Information on Employee Skills Levels
2009-30-036	2/20/2009	Additional Actions Are Needed to Protect Taxpayers' Rights and the Government's Interest During Bankruptcy Proceedings
2009-40-024	12/31/2008	The Earned Income Tax Credit Program Has Made Advances; However, Alternatives to Traditional Compliance Methods Are Needed to Stop Billions of Dollars in Erroneous Payments
2009-40-057	3/31/2009	Actions Are Needed to Ensure Proper Use of Individual Taxpayer Identification Numbers and to Verify or Limit Refundable Credit Claims

TIGTA RESPONSE (Enclosure 2)



INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20005

February 1, 2010

Mr. Bill A. Roderick
Acting Inspector General
U.S. Environmental Protection Agency
USEPA West Building – Room 3114
Washington, D.C. 20004

Dear Mr. Roderick:

Thank you for the opportunity to comment on the January 25, 2010, official *Draft System Review Report on the External Peer Review of the Treasury Inspector General for Tax Administration*. We have no comments to the draft report.

If you have any questions regarding this response, please contact Michael R. Phillips, Deputy Inspector General for Audit at (202) 927-7085.

Sincerely,

A handwritten signature in cursive script that reads "J. Russell George".

J. Russell George
Inspector General