



## Treasury Inspector General for Tax Administration Office of Audit

### DEFICIENCIES EXIST IN THE CONTROL AND TIMELY RESOLUTION OF WHISTLEBLOWER CLAIMS

Issued on August 20, 2009

## Highlights

Highlights of Report Number: 2009-30-114 to the Internal Revenue Service Deputy Commissioner for Services and Enforcement.

### IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) Whistleblower Program provides an opportunity to recover potentially billions of dollars in taxes and related penalties and interest based on information provided by claimants. The Tax Relief and Health Care Act of 2006 provided increased awards to individuals for information that leads to the detection and punishment of persons guilty of violating internal revenue laws. This Act created a new type of claim for referrals on \$2 million or more. Since the Act's passage, the IRS has seen significant growth with claims in Calendar Year 2008 alleging more than \$65 billion in underreported income. However, without effective control over and timely processing of these claims, the success of the IRS Whistleblower Program could be diminished.

### WHY TIGTA DID THE AUDIT

The objective of this review was to evaluate the implementation of the IRS Whistleblower Program. Since standup, the new Whistleblower Office has initiated a number of actions in an attempt to improve on the prior Informant Rewards Program which it replaced. Our review included assessing the implementation of the Whistleblower Office and the controls monitoring the disposition of new claims.

### WHAT TIGTA FOUND

The IRS did not have an effective inventory control system or adequate procedures and processes at the time of our review. To mitigate the limitations of the prior inventory control system, management relied on multiple systems to track and control claims, which resulted in inaccuracies and inconsistencies among control systems. Moreover, management has been in a 2-year process of implementing a new inventory system. Nonetheless, without effective procedures and processes to ensure the timely, accurate input of case information into a new system, the problems

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TIGTA noted with the IRS inventory controls may continue to exist. In addition, timeliness standards and a process to monitor whether claims are worked timely had not been established.

Whistleblower law related to tax fraud does not include specific provisions for employee protection against retaliation by an employer. Our discussions with representatives within the operating divisions who work with whistleblowers identified that whistleblowers are concerned regarding possible retaliation from employers and that their confidentiality is their utmost concern.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Whistleblower Office, ensure that reporting capabilities are included in the newly implemented single inventory control system and perform a physical reconciliation of claim information to ensure that the information captured from existing systems and input into the new system is accurate. In addition, written procedures with timeliness standards should be established and processes to monitor the timely processing of claims should be developed.

TIGTA also recommended that legislation is needed to ensure that informants are protected against retaliation by their employers and to provide specific relief to informants who experience retaliatory actions.

The Director, Whistleblower Office, agreed with all of our recommendations and has taken corrective action by developing reporting capabilities in their new inventory system. The IRS plans to ensure the accuracy of information in that system by completing the process in three phases with the final phase planned to be concluded in 2010. In addition, the IRS has established a quality control process based on a statistical sample of records to ensure accuracy of data. The IRS also developed written procedures to ensure effective processing, evaluation, tracking, and monitoring of whistleblower claims. However, pursuing new legislation to protect informants against retaliation by their employers is outside of its jurisdiction.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2009reports/200930114fr.pdf>

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