



Treasury Inspector General for Tax Administration Office of Audit

THE INTERNAL REVENUE SERVICE OVERSIGHT BOARD HAS TAKEN ACTIONS TO IMPROVE ITS FINANCIAL MANAGEMENT, BUT CONTINUING WEAKNESSES WERE IDENTIFIED

Issued on June 18, 2010

Highlights

Highlights of Report Number: 2010-10-052 to the
Chairperson, Internal Revenue Service Oversight Board.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 called for the creation of the IRS Oversight Board (Board), which is an independent body responsible for providing the IRS with long-term guidance and direction. The Board is responsible for overseeing the IRS in its administration, management and application of the Internal Revenue laws, as well as budgetary oversight. As a result, it is important that the Board maintain proper financial controls over its own budgetary process and ensure proper stewardship of taxpayer funds.

WHY TIGTA DID THE AUDIT

This audit is a followup review to determine whether the Board adequately addressed significant financial management control deficiencies previously identified by TIGTA in Fiscal Year 2005. The overall objective of this review was to evaluate the effectiveness of actions taken by the Board to resolve conditions reported in our prior audit, which found that the Board did not have adequate internal controls and some controls that were in place were not followed. Also, the manner in which the Board's annual budget was determined may give the appearance that the Board is not independent from the IRS.

WHAT TIGTA FOUND

Our review identified that while procedures and controls have been implemented since our last audit, not all procedures and controls are being adequately followed. TIGTA determined that the Board does not effectively monitor its financial activities and did not timely identify approximately \$2.2 million in potential excess funds for Fiscal Years 2005 through 2009. In addition, the Board is still not certifying the accuracy of costs associated with Board activities submitted to the IRS for reimbursement to ensure that all expenses are reasonable and necessary. However, TIGTA did not identify any

Email Address: inquiries@tigta.treas.gov

Web Site: <http://www.tigta.gov>

misclassified or unreported transactions for Fiscal Year 2009. Further, the Board has implemented a new process to administer travel performed by Board members; however, it was not consistently followed. As a result, TIGTA identified certain travel expenses that did not comply with established travel guidelines but were reimbursed by the Government.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chairperson, IRS Oversight Board, ensure established policies are followed to track and analyze unliquidated obligations to determine whether funding levels are on target. TIGTA also recommended that the Board take action to receive billing information as required and coordinate to ensure reimbursement from the IRS is not requested until the Board certifies the accuracy of expense information. Additionally, the Board should develop detailed procedures related to arranging and processing Board travel-related transactions, provide all Board members and staff with annual training on travel-related procedures, and require that the expenses incorrectly reimbursed be repaid to the Federal Government.

In their response to the report, the Board agreed with our recommendations. Specifically, the Board has updated its procedures to identify and deobligate excess funds and will work with the IRS Chief Financial Officer to certify billings before payment, has developed its own travel guide tailored to the needs of Board travelers, and plans to train all members and staff via an annual distribution of the guide. Finally, all travel funds incorrectly reimbursed have been repaid.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2010reports/201010052fr.pdf>.

Phone Number: 202-622-6500