



Treasury Inspector General for Tax Administration Office of Audit

FISCAL YEAR 2010 STATUTORY AUDIT OF COMPLIANCE WITH LEGAL GUIDELINES RESTRICTING THE USE OF RECORDS OF TAX ENFORCEMENT RESULTS

Issued on July 23, 2010

Highlights

Highlights of Report Number: 2010-30-076 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (RRA 98) requires the IRS to ensure that managers do not evaluate enforcement employees using any record of tax enforcement results (ROTTER) or base employee successes on meeting production goals and quotas. Based on the results of our sample, TIGTA believes the IRS' efforts to enforce the employee evaluation requirements under Section 1204 are generally effective and are helping to protect the rights of taxpayers.

WHY TIGTA DID THE AUDIT

TIGTA is required under Internal Revenue Code Section 7803(d)(1)(2000) to annually evaluate whether the IRS is in compliance with restrictions on the use of enforcement statistics under RRA 98 Section 1204. Our review determined whether the IRS was compliant with:

- Section 1204(a), which prohibits the IRS from using any ROTTER to evaluate employees or to impose or suggest production quotas or goals.
- Section 1204(b), which requires that employees be evaluated using the fair and equitable treatment of taxpayers as a performance standard.
- Section 1204(c), which requires each appropriate supervisor to self-certify quarterly whether ROTTERs were used in a prohibited manner.

WHAT TIGTA FOUND

The IRS did not achieve full compliance with Section 1204(a) requirements. TIGTA identified violations of RRA 98 Section 1204(a) in three of the 1,074 employee or manager performance evaluation documents reviewed. Our review found documentation that managers included ROTTERs in three employees' performance evaluation documents.

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Also, the IRS did achieve full compliance with Section 1204(b) and (c) requirements. The IRS evaluated all employees on the fair and equitable treatment of taxpayers and prepared quarterly self-certifications showing that ROTTERs were not used to evaluate employees.

In a judgmental sample of 31 employees, seven (23 percent) did not understand the term "retention standard" and 11 (35 percent) were not sure they had received training on the retention standard.

WHAT TIGTA RECOMMENDED

TIGTA recommended the IRS ensure that:

- Section 1204 violations are reviewed with managers and that they are provided training related to the use of ROTTERs.
- All managers are aware of guidelines when reviewing employee self-assessments.
- A mandatory annual training is instituted to ensure that employees understand the retention standard.

IRS officials agreed with one of three recommendations. For the two disagreed recommendations, IRS officials provided corrective actions that appeared to address TIGTA's concerns; however, the actions were not clear or were incomplete. In one of the two disagreed recommendations, subsequent discussions identified new planned guidelines concerning self assessments; however, IRS officials were unable to provide the guidelines for review because they had not been finalized. In the remaining disagreed recommendation, the IRS clarified its actions and provided a planned completion date of December 31, 2010.

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/201030076fr.pdf>.

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