



## Treasury Inspector General for Tax Administration Office of Audit

### FRAUD AND ABUSE ARE ADDRESSED IN THE INDIAN TRIBAL SECTOR, BUT PERFORMANCE OBJECTIVES AND MEASURES ARE NEEDED TO ASSESS PROGRAM EFFECTIVENESS

Issued on January 28, 2013

## Highlights

Highlights of Report Number: 2013-10-018 to the Internal Revenue Service Acting Commissioner for the Tax Exempt and Government Entities Division.

### IMPACT ON TAXPAYERS

The Indian Tribal Governments (ITG) office established the Abuse Detection and Prevention Team (ADAPT) to address potential fraud and abuse in the Indian tribal sector; however, specific performance objectives and measures are needed. Without performance objectives and measures, ITG office management cannot objectively determine that taxpayer funds expended on the ADAPT provide a good return on investment.

### WHY TIGTA DID THE AUDIT

This review was initiated as part of TIGTA's Fiscal Year 2012 Annual Audit Plan and addresses the major management challenge of Tax Compliance Initiatives. The overall objective of the review was to determine whether the ITG office is taking action and measuring its accomplishments to stem the growth of fraud and abuse in the Indian tribal sector.

### WHAT TIGTA FOUND

Although the ITG office established the ADAPT in Fiscal Year 2004 with the broad goal of stemming the growth of fraud and abuse in the Indian tribal sector, it has not developed specific performance objectives and measures. As a result, TIGTA could not determine if the ADAPT is effectively combating fraud and abuse in the Indian tribal sector. Setting specific measurable performance objectives would allow ADAPT management and staff to identify strategies for what they want to achieve in the short and long term and provide assurance that taxpayer funds expended on the ADAPT provide a good return on investment.

While specific objectives and measures have not been developed, TIGTA found evidence that the ADAPT is actively identifying and addressing allegations of potential fraud and abuse by tribes and tribal members to meet its broad goal. Since Fiscal Year 2008, ADAPT examiners have investigated and referred eight potential

fraud cases involving 10 entities to the National Fraud Office for further investigation (of which four were later referred to and accepted by Criminal Investigation). Also, ADAPT examiners have assessed tax, interest, penalty, and restitution amounts against Indian tribal entities and individuals totaling more than \$205 million (of which approximately \$75 million has been collected).

In addition, the ITG office has made several improvements to the ADAPT since our last report regarding the Tax Exempt and Government Entities Division's fraud program. For example, ITG office management improved the ADAPT by: 1) encouraging referrals of potential fraud and abuse, 2) formalizing examination approval procedures, 3) providing forensic accounting and fraud training to all ADAPT examiners, 4) increasing coordination with other stakeholders, and 5) assigning an experienced fraud coordinator to monitor and assist in the development of cases.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, ITG, develop specific performance objectives and measures in order to better assess ADAPT performance. In their response to the report, IRS management agreed with the recommendation and plans to review performance objectives and associated measures in other IRS fraud-related programs to determine whether, and at what level, similar standards can be implemented by the ADAPT. To the degree appropriate, the IRS plans to implement such standards.

### READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2013reports/201310018fr.pdf>

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