



Treasury Inspector General for Tax Administration

ATTESTATION REVIEW OF THE INTERNAL REVENUE SERVICE'S FISCAL YEAR 2007 ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE

Issued on January 31, 2008

Highlights

Highlights of Report Number: 2008-10-058 to the Internal Revenue Service Chief Financial Officer.

IMPACT ON TAXPAYERS

In Fiscal Year 2007, the Internal Revenue Service (IRS) reported that it expended \$58.4 million on Office of National Drug Control Policy (ONDCP)-related activities and completed 654 ONDCP-related investigations. Overall, the methodology used to calculate the IRS' Fiscal Year 2007 ONDCP Detailed Accounting Submission and Performance Summary Report (the Report) was clearly explained and adequately documented. Complete and reliable financial and performance information is critical to the IRS' ability to accurately report on the results of its operations to both internal and external stakeholders, including taxpayers.

WHY TIGTA DID THE AUDIT

This review was conducted as required by the National Drug Enforcement Policy and the May 1, 2007, ONDCP Circular *Annual Accounting for Drug Control Funds*. The National Drug Control Program agencies are required to submit to the Director of the ONDCP, not later than February 1 of each year, a detailed accounting of all funds expended during the prior fiscal year and to identify and document performance measure(s) that justify the results associated with these expenditures. Further, the Circular requires that each report be provided to the agency's Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the report prior to its submission.

WHAT TIGTA FOUND

Overall, the methodology used to calculate the IRS' Fiscal Year 2007 Report was clearly explained and adequately documented. However, in our opinion, the performance measure reported by the IRS could be improved to better represent the IRS' contribution to the National Drug Control Strategy. Specifically, by reporting only the number of ONDCP-related

investigations completed, the IRS is providing very little information on the effectiveness of its efforts.

In addition, our testing of the IRS ONDCP performance information for reasonableness identified that 47 (7 percent) of the 654 investigations reported as completed in Fiscal Year 2007 were both initiated and completed on the same day and resulted in referral for prosecution, based on the supporting documentation provided. The IRS informed us that the 47 investigations were all related to other investigations and were worked as part of the related investigations. The IRS concluded that the 47 cases were not tracked as unique investigations until approximately the time the cases were forwarded for prosecution. While the IRS' explanation for the reporting of these types of investigations appears reasonable, TIGTA is unable to adequately verify it without a detailed review of at least a sample of investigation case files, which is significantly beyond the scope of this review.

Based on our review, with the exception of the matters discussed above, nothing came to our attention to indicate that the assertions are not presented, in all material respects, in accordance with ONDCP-established criteria.

WHAT TIGTA RECOMMENDED

TIGTA recommended the Chief Financial Officer, in coordination with the Chief, Criminal Investigation Division, expand the performance information used to report the IRS' contribution to the National Drug Control Strategy to include additional measures that specifically address program effectiveness.

In their response to the report, the IRS agreed to consider expanding the performance information it reports. Specifically, the IRS plans to evaluate potential performance measures and, in particular, to look at the measures used by the other agencies that support the National Drug Control Strategy.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2008reports/200810058fr.pdf>.