



*Information Report Referrals Are Properly
Evaluated, but Processing Controls Need to
Be Improved*

September 18, 2006

Reference Number: 2006-30-130

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

September 18, 2006

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED
DIVISION

FROM: *Michael R. Phillips*
Michael R. Phillips
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Information Report Referrals Are Properly
Evaluated, but Processing Controls Need to Be Improved
(Audit # 200530016)

This report presents the results of our review of the Internal Revenue Service's (IRS) information report referrals. The overall objective of this review was to determine whether the Small Business/Self-Employed (SB/SE) Division Examination classification functions effectively controlled and evaluated information report referrals received from other sources. To make these determinations, we visited four IRS offices to review the classification activities evaluating information report referrals during Fiscal Year 2005. We did not evaluate the handling of information report referrals associated with informant claims.

Impact on the Taxpayer

The information report referral program alerts IRS employees of situations where potential noncompliance may have occurred, but it is not a high priority for IRS managers because the work is considered discretionary. Information report referrals are being properly evaluated, but processing controls need to be strengthened. This is significant to ensure that allegations of taxpayer noncompliance are addressed.

Synopsis

In the SB/SE Division, Examination classification functions evaluate information report referrals to determine whether examinations of the related accounts would be beneficial in promoting taxpayer compliance. In Fiscal Year 2005, the SB/SE Division closed 1,583 examinations with information report referrals involving recommended assessments of nearly \$57 million.



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SB/SE Division management recognizes the need to improve its handling of the information report referral program. In June 2005, the handling of low-dollar Collection function information referral reports was centralized at the Philadelphia Campus.¹ Management also established the Significant Noncompliance Factor Program at the Brookhaven Campus to identify highly noncompliant taxpayers.

Our review of 224 information report referrals determined that classifiers generally made the proper decision when selecting a return for examination or when accepting the return as filed. However, SB/SE Division management still needs to place more emphasis on strengthening the controls over the processing of information report referrals.

The information report referral program is not a high priority for IRS managers because the work is considered discretionary. Therefore, management has not established any performance measures or goals to evaluate the program. Since no results are measured, management does not obtain the data necessary to provide feedback to the functions submitting the information report referrals to improve the program's overall productivity. In addition, we found little evidence that management provided effective oversight of this program.

We also determined the four offices were not effectively controlling information report referrals. Although two classification functions started to implement controls over the receipt of their information report referrals, no process was implemented during Fiscal Year 2005. At the other two classification functions, no attempt was made to establish an inventory control system. Finally, offices did not retain information report referrals for the appropriate time periods.

Management believed that Fiscal Year 2005 transitions had an impact on the handling of information report referrals with the consolidation of field offices and the reassignment of former Collection and Examination function processing activities to the campuses.

Recommendations

We recommended the Commissioner, SB/SE Division, ensure performance measures are established to evaluate the success of the information report referral program and managerial work reviews are performed and documented. We also recommended the Commissioner, SB/SE Division, initiate inventory controls to account for the receipt and disposition of information report referrals and ensure that procedures covering record retention are followed.

¹ The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.



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Response

IRS management agreed with two of our four recommendations, partially agreed with one recommendation, and disagreed with one recommendation.

SB/SE Division management agreed that procedures for work reviews should be followed and the Director, Examination Planning and Delivery, will provide guidance to Area Directors and the Planning and Special Program Staff on managerial reviews of information report referral evaluations and record retention.

The Directors, Campus Reporting Compliance, and Examination Policy, agreed to provide correct retention period information and establish a consistent storage method so that information referral reports may be easily retrieved for review purposes.

The Director, Examination Planning and Delivery, will consider implementing a control system after a feasibility study is conducted to determine the cost of establishing a tracking system to control information report referrals. We agree with the IRS decision to evaluate the feasibility and cost effectiveness of implementing an inventory control system.

SB/SE management disagreed to devise measurements to evaluate nonselected and selected cases related to information report referrals because to develop such a system could be labor intensive and potentially not cost effective. Management's complete response to the draft report is included as Appendix IV.

Office of Audit Comment

We continue to believe that the IRS needs some method of capturing the results to evaluate the usefulness of the information report referral program. For another recommendation, the IRS will consider implementing a control system after it conducts a feasibility study to determine the cost of establishing a tracking system to control information report referrals. IRS management could consider expanding that study to include an evaluation of nonselected and selected cases by tracking the results. Currently, IRS management cannot provide data on the program's effectiveness which would greatly facilitate ascertaining the program's value. Without such information, IRS management cannot determine the potential of the information reports referred by various sources outside the normal examination selection process. Rather, the IRS has opted not to identify the program's benefits for evaluating what costs would be reasonable toward developing a management system.

Copies of this report are also being sent to IRS officials who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Daniel R. Devlin, Assistant Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-8500.



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Abbreviations

AIMS	Audit Information Management System
FY	Fiscal Year
IRS	Internal Revenue Service
SB/SE	Small Business/Self-Employed



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Background

The Internal Revenue Service (IRS) frequently receives allegations of situations in which taxpayers may not be compliant with tax laws. These allegations are received from many sources including IRS employees from various business functions, Federal and State government agencies, and individuals from the public. For example, IRS employees prepare information report referrals when they identify potential noncompliance while performing their duties. In other instances, State taxing authorities send information to the IRS on State information referral forms. Individuals such as neighbors, ex-spouses, and former employees sometimes call the IRS and report the nonfiling or underreporting of income. IRS functions use the following reports to record and refer allegations of noncompliance:

- Examination function prepares an Examination Information Report (Form 5346).
- Collection function prepares a Referral Report (Form 3449).
- Criminal Investigation and Customer Account Services functions prepare an Information Report Referral (Form 3949).

Generally, classification personnel in the Examination Field function are responsible for reviewing the information report referrals to determine whether the allegations have examination potential. Classification personnel performing this work are experienced employees with appropriate tax law training. This process is a manual evaluation to select returns that contain significant issues likely to result in changes to taxes owed or that require examinations to achieve voluntary compliance by an identifiable group of taxpayers.

The IRS identifies information report referrals as discretionary work that may be appropriate to work based upon workload availability and resources. IRS functions have the discretion to select the next best return available within a broad category of other work. During Fiscal Year (FY) 2005, the Small Business/Self-Employed (SB/SE) Division recommended assessments of nearly \$57 million on 1,583 closed examinations with information report referrals. In addition, SB/SE Division management has established a Significant Noncompliance Factor Program to handle information report referrals involving highly noncompliant taxpayers. An example of such a taxpayer would be a construction worker not reporting payments for work performed. In June 2005, the handling of low-dollar Collection function information referral reports was centralized at the Philadelphia Campus.¹

¹ The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.



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Government Accountability Office guidance recommends that management should account for and control records, oversee activities, and evaluate programs. To assist in this effort, managers at all levels should provide a positive control environment; identify potential risk areas; ensure adequate and effective controls are in place; report results of reviews to the next level of supervision; ensure reports are supportable, accurate, and candid; provide adequate resources to correct identified control deficiencies; and implement corrective actions timely and validate outcomes.

This review was performed at the Campus Compliance Services offices located in Cincinnati, Ohio, and Philadelphia, Pennsylvania, and the Field² Classification offices in Detroit, Michigan, and St. Paul, Minnesota, during the period September 2005 through June 2006. The audit was conducted in accordance with *Government Auditing Standards*. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

² Within the SB/SE Division Compliance Field Operations function, Compliance areas provide SB/SE taxpayers post-filing services by helping them understand and comply with tax laws and by applying the tax laws with integrity and fairness.



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Results of Review

SB/SE Division management has taken actions to improve the handling of the information report referral program. The Significant Noncompliance Factor Program has been implemented at the Brookhaven Campus for identifying highly noncompliant taxpayers, and low-dollar Collection function referrals have been centralized at the Philadelphia Campus for processing. We selected 224 information report referrals closed by the 2 campus and the 2 field offices and identified only a few instances where classifiers had not taken proper action when selecting a return for examination or accepting the return as filed.

Even though employees are reaching the correct determinations, management still needs to improve some of the controls for processing information report referrals. Management has not established goals or performance measures to evaluate the activity of the information report referral program and, as a result, does not obtain the necessary information to provide feedback to the functions submitting the information report referrals so they can identify ways to improve the process. Controls such as use of logs to track cases were not consistently used and information report referrals were not always available to allow an evaluation of the effectiveness of the work. Such controls can assist managers to ensure better case selection for promoting compliance among taxpayers and for making a fairer system for all taxpayers.

Management believed that the consolidation of field offices and reassignment of former Collection and Examination function processing activities to campuses had a negative impact on the handling of information report referrals.

Goals and Measures Were Not Established to Analyze the Effectiveness of the Information Report Referral Program

Management is responsible for maintaining management information that can be used to evaluate the results of various programs. Our review determined that management does not obtain the necessary data on the information report referral program to assess the effectiveness of the program or provide feedback to improve the quality of the information report referrals received. While management has recognized the need to improve the program by implementing the Significant Noncompliance Factor Program and the low-dollar Collection function referrals, establishing program goals would provide the baseline to measure the success of the program.

We did identify one initiative to capture data for evaluating the quality of referred information during FY 2006. This effort would involve classification personnel entering information on a review checksheet after the classifier had determined the merit of the referral. The information from the checksheets would provide data to analyze the potential of information report referrals received by the classification function. This information could be used by the classification



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manager to provide feedback to Field Territory³ managers on the quality of the referrals. If this initiative turns out to be an effective process to improve taxpayer compliance through better information report referral preparation, management may want to consider using this process in other offices.

At the other field office, personnel could only provide Audit Information Management System (AIMS)⁴ information based on source and project codes. However, management has found that using such data on the information report referrals was not reliable because field offices were not consistently using the AIMS source and project codes for various compliance initiatives.

At one campus, personnel could not provide any statistics covering the handling of information report referrals. Classification personnel stated they had not selected an information report referral for examination in the last 18 months. At the other campus, personnel could only provide AIMS information on their handling of Collection function information report referrals.

Without capturing and comparing measurements between examination activities, management cannot evaluate whether the information report referral program can or cannot impact the Examination function program at any significant level. Furthermore, performance measures can help to ensure that appropriate goals are met and reliable data are obtained, maintained, and fairly disclosed.

Recommendation

Recommendation 1: The Commissioner, SB/SE Division, should devise measurements that evaluate nonselected and selected cases related to information report referrals.

Management's Response: IRS management did not agree with the recommendation because the IRS does not currently have a measurement system in place that would allow the tracking of this type of information. The IRS uses project and tracking codes for a variety of purposes, and there are limits to the number of codes that can be used for each case. Also, the IRS' ability to track all selected cases on a consistent basis is limited. In addition, the IRS does not have the ability to track results of nonselected cases. Therefore, a new system would have to be created that would allow the IRS to evaluate both nonselected and selected cases. The cost to develop such a labor intensive system is disproportionate to the benefits that would be realized, and a manual tracking system is not practical at the national level. Consequently, IRS management believes that trying to incorporate measurements into the existing systems is not operationally feasible.

³ A Territory is an organizational subdivision within a Compliance area.

⁴ The AIMS is a computer system used by the IRS to control returns, input assessment/adjustments to IRS data records, and provide management reports.



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Office of Audit Comment: We continue to believe that the IRS needs some method of capturing the results to assess the effectiveness of the information report referral program. For another recommendation, the IRS will consider implementing a control system after they conduct a feasibility study to determine the cost of establishing a tracking system to control information report referrals. IRS management could consider expanding that study to include an evaluation of nonselected and selected cases by tracking the results.

Currently, IRS management could not provide statistics showing the volume or the examination potential of information report referrals received to assess the effectiveness of the program. Obtaining information on the effectiveness would greatly facilitate ascertaining the program's value. Without such information, IRS management cannot determine the potential of the information reports referred by various sources outside the normal examination selection process. Rather, the IRS has opted not to identify the program's benefits for evaluating what costs would be reasonable toward developing a management system.

Oversight of the Information Report Referral Program Needed to Be Improved

Managers did not provide the necessary oversight to classification personnel reviewing the information report referrals. In the four offices visited, we only identified one manager that performed and documented reviews of the classifier's work. Even at this location, the manager only documented the formal evaluations of the full-time classifier and did not document reviews by some part-time classifiers even though review results were discussed with them. In addition, we identified one annual operational review where a manager commented on the handling of information report referrals.

At the three other offices, managers had not documented or reviewed the classifiers work of information report referrals.

IRS procedures require managers to review, document, and discuss completed referral work with each classifier. Furthermore, managers should conduct reviews of each classifier to determine whether performance indicates a need for additional training on handling computer-identified or manually-classified tax returns. Some items to verify are whether selected returns have sufficient potential tax change to warrant an examination or whether accepted returns had little or no examination potential.

Without documented work reviews, management cannot ensure the classification determinations related to information report referrals are proper. These managerial reviews can help to ensure that appropriate goals are met and that resources are used efficiently and effectively.



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Recommendation

Recommendation 2: The Commissioner, SB/SE Division, should ensure procedures covering work reviews are followed so managers and personnel can determine whether the classification determinations involving information report referrals are proper. Managerial reviews provide assurance work is performed properly.

Management's Response: IRS management agreed with the recommendation. The Campus Reporting Compliance function will gather information from the campuses and formulate guidance for referrals to ensure consistency when counting receipts, retaining records, and for reviewing determinations. The Director, Examination Planning and Delivery, will provide guidance to Area Directors and the Planning and Special Program Staff on managerial reviews of information report referral evaluations and record retention.

Procedures Were Not Established to Control the Receipt and Disposition of the Information Report Referrals

The IRS had not established a process to control the information report referrals. The offices did not maintain complete reports or logs showing the volume of information report referrals received or how the allegations were processed. As a result, management could not provide reliable statistics showing the volume of information report referrals received, the number of information report referrals with examination potential, or the information report referrals with no examination potential.

Of the four offices visited, two offices did not maintain any type of reports or logs showing the volume or status of the information report referrals received and processed. The other two offices were in the process developing control logs. However, no process was implemented during FY 2005. Even when data were available from these control logs, the information captured did not supply sufficient detail to determine why the information report referrals were or were not selected for examination.

Offices were not required to document or report their accomplishments because they were not being measured on the information report referral work. A management controls system to document the receipt and handling of information report referrals was not needed because no oversight reporting requirement existed. As a consequence, management cannot identify what work is available or determine how the work is handled. In addition, management cannot measure the effectiveness of the program, provide feedback on the quality of the information received, or make recommendations to improve the process.



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Recommendation

Recommendation 3: The Commissioner, SB/SE Division, should implement procedures to account for information report referrals from receipt to disposition. Establishing a control system should enable management to identify the work available and how the work is processed.

Management's Response: IRS management partially agreed with the recommendation. The current IRS systems do not have the capacity or capability of tracking all information referral reports, summarizing the quality of the information received, and tracking the disposition of each report. The Director, Examination Planning and Delivery, will evaluate the projected volume of reports that would need to be tracked and the cost of establishing such a tracking system to determine the feasibility of implementing an inventory control system.

Office of Audit Comment: We agree with the IRS decision to evaluate the feasibility and cost-effectiveness of establishing an inventory control system.

Retention Procedures Were Not Followed for Storing Information Report Referrals

Record control schedule procedures require that campuses maintain retention files of nonselected referrals for 90 days and field offices maintain retention files for over 2 years. The offices visited did not maintain retention files as required or did not have adequate control over the files to permit retrieval of filed documents. The offices had not implemented records management procedures for maintaining referral documents on cases not selected for examination or ensured that storage procedures permitted IRS personnel to retrieve records from retention files. Thus, managers cannot always obtain records to determine that the classification actions on information report referrals are proper.

Adherence to the retention requirements varied between the offices visited. At one office, the classifier placed selected cases in a locked cabinet but threw the nonselected cases into a classified trash container. At another office, the classification personnel did not maintain retention files of nonselected cases unless a claim by an informant was included with the case.

We did identify two offices where the classification function retained the information report referrals not selected for examination. However, at one of the offices the files were shipped to another location where the files were not adequately maintained and the reports could be retrieved. At the other office, the files were transferred to another storage location and the receiving office could not locate most of the information report referrals we requested to review.



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Recommendation

Recommendation 4: The Commissioner, SB/SE Division, should ensure procedures covering record retention are followed so managers and other reviewers can obtain records as needed for evaluating whether the classification determinations are proper.

Management's Response: IRS management agreed with the recommendation. The Director, Campus Reporting Compliance, and the Director, Examination Policy, will provide correct retention period information and establish a consistent storage method so that referrals may be easily retrieved for review purposes.



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Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the SB/SE Division Examination classification functions effectively controlled and evaluated information report referrals received from other sources. To make these determinations, we visited four IRS offices to review their classification activities evaluating information report referrals during FY 2005. We used IRS AIMS¹ data only for comparisons to Taxpayer Delinquency Investigations information; the data were not critical to the audit results.

The sampling methodology was judgmental because there was no viable method to determine the population so each record would have an equal opportunity to be included in the sample.

To accomplish our objective, we:

- I. Determined whether information report referrals received at the campuses² and field offices were properly evaluated for audit potential.
 - A. Interviewed responsible SB/SE Division managers in various classification functions to identify the procedures for controlling, evaluating, and selecting referral reports for audit.
 - B. Selected judgmental samples of 103 information report referrals selected as having audit potential received from the various IRS functions (Collection, Criminal Investigation, Examination, Customer Account Services, etc.) to ensure the referral reports were being properly evaluated.
 - C. Selected judgmental samples of 121 information report referrals not selected as having audit potential received from the various IRS functions (Collection, Criminal Investigation, Examination, Customer Account Services, etc.) to ensure the referral reports were properly evaluated.
- II. Interviewed Agency-Wide Shared Services function personnel to identify the records management procedures for controlling information report referrals to ascertain the retention periods for referral reports selected for audit and not selected for audit.

¹ The AIMS is a computer system used by the IRS to control returns, input assessment/adjustments to IRS data records, and to provide management reports.

² The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.



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- III. Evaluated the monitoring activities to ensure management reviews were properly conducted and documented to verify information report referrals were properly considered for audit potential or other noncompliance issues.
 - A. Interviewed appropriate IRS personnel to obtain procedures and criteria for determining the audit potential.
 - B. Reviewed management reports covering the evaluations of information report referrals to ensure the cases related to those referral reports were properly evaluated for audit potential or other noncompliance issues.
- IV. Evaluated whether the information report referrals selected for audit were the cases that had the most potential for increasing compliance among taxpayers.
 - A. Interviewed responsible officials to determine the procedures for selecting information report referral cases regarding allegations of tax evasion versus selecting other work.
 - B. Reviewed statistical data of referral reports to determine whether the dispositions of those cases showed audit results to justify their selection.
 - C. Analyzed AIMS files to identify trends from FYs 2004 and 2005 for Examination, Collection, and Criminal Investigation functions and nonfiler referral reports.
- V. Analyzed the Collection function Taxpayer Delinquency Investigation files and the AIMS files to determine whether the Taxpayer Delinquency Investigation information sent to the Examination function was controlled, evaluated for audit potential, and productive.



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Appendix II

Major Contributors to This Report

Daniel R. Devlin, Assistant Inspector General for Audit (Small Business and Corporate Programs)
Parker F. Pearson, Director
Edward Gorman, Audit Manager
Lawrence R. Smith, Lead Auditor
Lisa Stoy, Senior Auditor
Denise M. Gladson, Auditor
Stephen A. Elix, Student Trainee



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Appendix III

Report Distribution List

Commissioner C
Office of the Commissioner – Attn: Chief of Staff C
Deputy Commissioner for Services and Enforcement SE
Deputy Commissioner, Small Business/Self-Employed Division SE:S
Acting Director, Campus Compliance Services SE:S:CCS
Director, Examination, Small Business/Self-Employed Division SE:S:E
Director, Examination Planning and Delivery, Small Business/Self-Employed Division
SE:S:E:EPD
Headquarters Program Manager, Examination, Small Business/Self-Employed Division
SE:S:E:EPD:ERS
Chief Counsel CC
National Taxpayer Advocate TA
Director, Office of Legislative Affairs CL:LA
Director, Office of Program Evaluation and Risk Analysis RAS:O
Office of Internal Control OS:CFO:CPIC:IC
Audit Liaison: Commissioner, Small Business/Self-Employed Division SE:S



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Appendix IV

Management's Response to the Draft Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D. C. 20224

RECEIVED
AUG 31 2006

August 28, 2006

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kevin M. Brown *Kevin M. Brown*
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Audit Report – Information Report Referrals Are Properly
Evaluated, but Processing Controls Need to Be Improved
(Audit # 200530016)

Thank you for the opportunity to review your draft report, "Information Report Referrals Are Properly Evaluated, but Processing Controls Need to Be Improved." We appreciate your acknowledgement of actions we have taken to improve the handling of information report referral work. While our employees are reaching correct determinations, we concur that management needs to improve some controls for processing information report referrals.

Regarding your specific recommendations, we agree with recommendations 2 and 4 but believe recommendations 1 and 3 could be labor intensive and potentially not cost effective. New programming fields would have to be created and the Audit Information Management System (AIMS) updated, which may not be feasible.

Attached is a detailed response outlining our planned corrective actions.

If you have any questions, please call me at (202) 622-0600 or Steve Burgess, Director, Examination, Small Business/Self Employed Division at (904) 665-0503.

Attachment



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Attachment

RECOMMENDATION 1

The Commissioner, SB/SE Division, should devise measurements that evaluate non-selected and selected cases related to information report referrals.

CORRECTIVE ACTION

We do not currently have a measurement system in place that would allow us to track this type of information. Since we use project and tracking codes for a variety of purposes, and there are limits to the number of codes that can be used for each case, our ability to track all selected cases on a consistent basis is limited. In addition, we do not have the ability to track results of non-selected cases. Therefore, a new system would have to be created that allows us to evaluate both non-selected and selected cases. The cost to develop such a labor intensive system is disproportionate to the benefits that would be realized, and a manual tracking system is not practical at the national level. Consequently, we believe that trying to incorporate measurements into the existing systems is not operationally feasible.

IMPLEMENTATION DATE

N/A

RESPONSIBLE OFFICIAL

N/A

RECOMMENDATION 2

The Commissioner, SB/SE Division, should ensure procedures covering work reviews are followed so managers and personnel can determine whether the classification determinations involving information report referrals are proper. Managerial reviews provide assurance work is performed properly.

CORRECTIVE ACTION

Campus Reporting Compliance is gathering information from the campuses and will formulate guidance for referrals to ensure consistency when counting receipts, retaining records and for reviewing determinations. The Director, Examination Planning and Delivery, will provide guidance to Area Directors and the Planning and Special Program Staff on managerial reviews of information report evaluations and record retention.

IMPLEMENTATION DATE

January 1, 2007

RESPONSIBLE OFFICIAL(S)

Director, Campus Compliance Services, SB/SE Division
Director, Examination Policy, SB/SE Division
Director, Examination Planning and Delivery, SB/SE Division



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CORRECTIVE ACTION MONITORING PLAN

The Director, Campus Reporting Compliance, will monitor the formulation of guidance for referrals and report any delays. The Directors, Examination Policy, and Examination Planning and Delivery, will monitor the formulation of guidance and report to the Director, Examination any delays or problems encountered.

RECOMMENDATION 3

The Commissioner, SB/SE Division, should implement procedures to account for information report referrals from receipt to disposition. Establishing a control system should enable management to identify the work available and how the work was processed.

CORRECTIVE ACTION

Our current systems do not have the capacity or capability of tracking all information reports, summarizing the quality of the information received, and tracking the disposition of each report. The Director, Examination Planning and Delivery, will evaluate the projected volume of reports that would need to be tracked and the cost of establishing such a tracking system to determine the feasibility of implementing the recommendation by the end of the fiscal year.

IMPLEMENTATION DATE

September 30, 2007

RESPONSIBLE OFFICIAL(S)

Director, Examination Planning and Delivery, SB/SE Division

CORRECTIVE ACTION MONITORING PLAN

The Director, Examination Planning and Delivery, will determine the projected volume of reports that would be tracked along with the cost of establishing a new tracking system. A recommendation will be made on the feasibility of implementing this recommendation.

RECOMMENDATION 4

The Commissioner, SB/SE Division, should ensure procedures covering record retention are followed so managers and other reviewers can obtain records as needed for evaluating whether the classification determinations are proper.

CORRECTIVE ACTION

Directors, Campus Reporting Compliance, and Examination Policy, will provide correct retention period information and establish a consistent storage method so that referrals may be easily retrieved for review purposes.

IMPLEMENTATION DATE

January 1, 2007



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RESPONSIBLE OFFICIAL(S)

Director, Campus Reporting Compliance, SB/SE Division
Director, Examination Policy, SB/SE Division

CORRECTIVE ACTION MONITORING PLAN

Directors, Campus Reporting Compliance, and Examination Policy, will monitor the establishment of a retention period and ensure that information is disseminated.