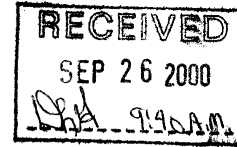




DEPUTY COMMISSIONER

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

September 21, 2000



MEMORANDUM FOR PAMELA J. GARDINER
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Bob Wenzel *Bob Wenzel*
Deputy Commissioner Operations

SUBJECT:

Response to Draft Audit Report – The Internal Revenue Service Should Strengthen System Controls and Reevaluate the Purpose of the Enforcement Revenue Information System

Thank you for the opportunity to respond to the subject draft audit report. In your cover memorandum, you say you cannot issue an unqualified opinion for the following reasons:

1. The Enforcement Revenue Information System (ERIS) does not compile or report complete cost data.
2. ERIS has some control weaknesses.
3. ERIS has feeder systems for which reliability has not been determined.

Before addressing each recommendation/finding in accordance with the January 14, 1999, agreement, we would like the reader to consider the following points:

1. Enforcement revenue was accurately reported in all cases TIGTA requested and reviewed for this audit.
2. Total enforcement revenue is correctly reported in all cases, with over 99.96 percent of all cases/transactions completely processed.
3. An automated process has been established to provide information on most of these cases/transactions having incomplete information.
4. Systemic design features provide sufficient data security and access control.
5. No ERIS reports contain anything purporting to be cost information, and all historical references to cost are being removed from all documentation.

The report says that for the data test performed, no errors were found. However, we would like to stress that, in all data TIGTA reviewed, the ERIS results reported were 100 percent correct. We request that you mention this in the cover memorandum as well.

IDENTITY OF RECOMMENDATION/FINDING

1. The Enforcement Revenue Information System (ERIS) does not compile or report complete cost data.

ASSESSMENT OF CAUSE(S)

At the time of the audit, ERIS documentation contained references to reporting cost information for enforcement cases. The cited documentation is as much as eight years old, and none of the ERIS reports provided to customers purports to be the cost of working these enforcement cases. The reports contain only the direct hours charged to a case as reflected in the Audit Information Management System (AIMS) feeder system. ERIS can convert these hours to a cost figure based on the grade of the closing examiner and the hours worked, but no reports show this figure.

CORRECTIVE ACTIONS

The Office of Revenue Analysis (ORA) has asked its contractor to remove any references in any documentation to the term "cost."

IMPLEMENTATION DATE:

The proposed implementation date for this corrective action is October 31, 2000 for removal from all documentation and March 31, 2001, for removal from all printed reports.

RESPONSIBLE OFFICIAL(S)

Director, Research Division

CORRECTIVE ACTION(S) MONITORING PLAN

Removal of the term "cost" from both the documentation and the printed reports is covered by specific contract line items (CLINs) in the Phase 10.1 contract. Monitoring of this corrective action will be accomplished by the verification of the timely completion of the CLINs. Any issues on this corrective action thereby become part of the overall contract monitoring.

IDENTITY OF RECOMMENDATION/FINDING

2. ERIS has some control weaknesses.

ASSESSMENT OF CAUSE(S)

The report cites the number of cases in the “error registers,” the number of users with “read and write” permission, and the infrequent review of the audit trail log as control weaknesses. The report does not give as clear an explanation of these issues as we need.

Error Registers

Error registers refer to either cases or transactions where, usually because of incomplete information from the feeder systems, ERIS is unable to attribute the dollars it identifies as part of the total enforcement revenue to a particular function such as Exam or Collection. Of the approximately 236,000,000 cases in the system, 53,119 should have some additional information—about 0.02 percent. Of the 1,875,988,757 transactions, 768,000 should have some additional information—about 0.04 percent. Put another way, 99.98 percent of the cases and 99.96 percent of the transactions are carried through to complete analysis because ERIS has all the information needed to do so. However, since cases that are not fully processed may not be evenly distributed across the ERIS dataset, ORA has instituted a plan to inform customers as to the number of such cases that might be involved in any data request. The intent is to provide the customer with sufficient information from which to decide if further analysis is warranted. Programming for this will be accomplished in time for the processing of January, '01 data. Again, on these 0.02 percent of the cases and 0.04 percent of the transactions, total enforcement revenue is not in question, but is correctly reported.

Users with Read and Write Permission

For the issue concerning the number of users with both read and write permission, the report does not fully document what is done and why it is done. Presently only five users can write or modify production data. Although we control which users in our group may access which data, ORA cannot add users to the overall group. That action requires a signed Form 5081 submitted over the signature of the appropriate level of management to the Detroit Data Center. Only after the user is added to the overall group can he or she be given access to any ERIS data—production or test. All users who can write or modify data must also be cleared through background investigations. Once a user has passed all these reviews, access to production data is controlled by the Resource Access Control Facility (RACF) security system, which prevents unauthorized users from modifying or even reading the data. The RACF system creates notices that are sent to the appropriate level of management whenever an attempted unauthorized access occurs. We research those notices, which you have reviewed, to determine the reason for the attempt.

Review of the Audit Trails

Review of the audit trails, the last issue identified under Control, relates to the fact that ERIS operates on a mainframe computer with all its attendant logs and security systems. The operating system itself maintains a log beyond the reach of the system users. That log is an audit trail that records every action taken on the system since the

CORRECTIVE ACTION(S) MONITORING PLAN

The required programming will be covered by specific contract line items in the Phase 10.1 contract. Monitoring of this corrective action will be accomplished by the verification of the timely completion of the CLINs. Any issues on this corrective action thereby corrective action become part of the overall contract monitoring.

IDENTITY OF RECOMMENDATION/FINDING

3. ERIS has feeder systems for which reliability has not been determined.

ASSESSMENT OF CAUSE(S)

First, we want the reader to clearly understand the feeder systems in question are the:

- Master Files (IMF, BMF, NMF)
- Audit Information Management System (AIMS)
- Information Returns Program (IRPCA)
- Individual Retirement Account File (IRAF)

We did not establish ERIS to audit these systems, especially not the Master Files. However, ERIS allows us to validate portions of some of these systems, by looking at data across systems. Therefore, ORA has initiated programming that documents the difference between the amount of recommendations shown on AIMS and those shown in ERIS (computed as the sum of the AIMS unagreed amounts and any assessments posted to the Master File). This information will be saved to a file monthly. When ORA staffing permits, they will do a regular reconciliation. Because both IRPCA and IRAF post any audit adjustments to Master Files through AIMS, this analysis should also address any differences in recommendations seen in these feeder systems.

CORRECTIVE ACTIONS

Since ERIS was not established to audit the incoming feeder system data, management has opted to use the only information available in ERIS from which the accuracy of any of the feeder systems can be determine—the difference in Recommendations between AIMS and ERIS. ORA will implement programming that generates a reconciliation of recommendations between AIMS and ERIS.

IMPLEMENTATION DATE:

The first available contract vehicle that the reconciliation can be done under is Phase 10.1, effective with processing the January, 2001 data, due to be completed by April 30, 2001.

RESPONSIBLE OFFICIAL(S)

Director, Research Division

CORRECTIVE ACTION(S) MONITORING PLAN

The required programming is covered by specific contract line items in the Phase 10.1 contract. Monitoring of this corrective action will be accomplished by the verification of the timely completion of the CLINs. Any issues on this thereby become part of the overall contract monitoring.

Once again, thank you for the chance to respond to the report and for the suggestions provided by the audit team. Discussions with the audit staff have been helpful. If you need more information on our response, please call William Gammon at (202) 633-7644.