



Treasury Inspector General for Tax Administration Office of Audit

ATTESTATION REVIEW OF THE INTERNAL REVENUE SERVICE'S FISCAL YEAR 2008 ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE

Issued on January 30, 2009

Highlights

Highlights of Report Number: 2009-10-040 to the Internal Revenue Service Chief Financial Officer.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) reported that it expended \$64.2 million on Office of National Drug Control Policy (ONDCP)-related activities and participated in 478 ONDCP-related cases that resulted in convictions in Fiscal Year (FY) 2008. Overall, the methodology used to prepare the IRS' FY 2008 ONDCP Detailed Accounting Submission and Performance Summary Report (the Report) was clearly explained and adequately documented. However, TIGTA determined that the performance information reported by the IRS includes a small number of cases from fiscal years prior to FY 2008. 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 Control 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 prepare the IRS' FY 2008 Report was clearly explained and adequately documented. For FY 2008, the IRS began reporting the number of convictions and conviction rate related to its participation in ONDCP-related cases.

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However, our testing indicated that 18 of the 478 convictions reported by the IRS actually occurred prior to FY 2008 and, therefore, should not be included in the FY 2008 measure. Similarly, 3 of the 827 ONDCP-related investigations reported as completed in FY 2008 were actually completed prior to FY 2008.

Additionally, 18 cases the IRS reported as recommended for prosecution, but ultimately resulted in acquittal or dismissal, occurred prior to FY 2008. The IRS informed us that it does not adjust its reporting to account for timing differences resulting from the sometimes delayed posting of case results. Not accounting for these timing differences adversely impacts the reliability of IRS performance information.

Notably, these timing differences may also be present and result in the reporting of FY 2008 cases as occurring during FY 2009, further obscuring the correct calculation of the FY 2008 performance measures including the conviction rate. Because of the limited-scope nature of our review, we did not perform indepth testing of IRS records necessary to identify potential errors of this type, nor did we analyze in detail the specific causes for the delayed postings.

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, evaluate the cause of the delayed case postings identified and based on this analysis, evaluate the feasibility of either improving the timeliness of its case postings and/or adjusting its yearend performance information to reflect timing differences caused by late postings of case information.

IRS management agreed with our recommendation. For its FY 2009 report on accounting of drug control funds, the IRS plans to include only those investigations completed within the fiscal year in the performance results. In addition, the IRS adjusted its reporting of FY 2008 performance information to reflect timing differences caused by late postings of case information.

Because of the time limitations imposed by the mandatory reporting deadline of this review, TIGTA did not evaluate or perform any testing relating to the IRS' revised reporting.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2009reports/200910040fr.pdf>.

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