



Treasury Inspector General for Tax Administration Office of Audit

CONTROLS OVER EMPLOYEE TELEPHONE CALLING CARDS ARE INSUFFICIENT TO IDENTIFY WASTE, FRAUD, AND ABUSE

Issued on March 19, 2009

Highlights

Highlights of Report Number: 2009-10-050 to the Internal Revenue Service Chief Technology Officer.

IMPACT ON TAXPAYERS

As of February 2008, the Internal Revenue Service (IRS) had issued approximately 34,000 telephone calling cards to its employees. Between October 2005 and April 2008, approximately \$8.4 million was charged to telephone calling cards held by IRS employees. However, the IRS has not established effective controls to identify and address improper use of these cards, and the control weaknesses are the same weaknesses TIGTA identified in Fiscal Year 2004. For example, our limited analysis of telephone calling card billing records identified that from June 2007 through June 2008, the IRS incurred charges of approximately \$59,000 for improper telephone calls made between the United States and various foreign countries on a single calling card.

Effective controls over telephone calling cards are critical to the IRS' ability to ensure accountability and timely identify and address waste, fraud, and abuse. The primary cause of the ongoing control weaknesses is a lack of sustained and effective management oversight.

WHY TIGTA DID THE AUDIT

This review was part of TIGTA's Fiscal Year 2008 Annual Audit Plan and addresses the major management challenge of Erroneous and Improper Payments. The overall objective of this review was to determine whether the IRS established effective controls to identify and address instances of waste, fraud, and abuse relating to the use of employee telephone calling cards.

WHAT TIGTA FOUND

The IRS lacks effective controls over telephone calling cards issued to employees. Specifically, telephone calling card charges are not routinely reviewed for waste, fraud, and abuse, and a comprehensive inventory of telephone calling cards is not completed annually. For example, during the period October 2005 through August 2008, the IRS successfully reviewed telephone calling

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card charges for potential waste, fraud, or abuse only once. This review was performed in June 2008 using the Telecommunications Asset Tool (TAT) system and was limited to an analysis of telephone calls placed in March 2008. Also, teleconferencing-related telephone calling card charges were not analyzed during the June 2008 review for unusual trends indicative of potential waste or improper use. Teleconference-related charges constituted \$7.4 million of the approximately \$8.4 million charged to telephone calling cards between October 2005 and April 2008.

TIGTA believes that limiting the TAT system quarterly reviews to an analysis of only 1 month of telephone call activity is not sufficient to effectively and timely identify potential waste, fraud, and abuse relating to the use of telephone calling cards. In addition, corrective actions for the previously reported deficiencies in the TAT system were either not taken or, if taken, were not supported by sufficient and sustained managerial oversight to ensure that they were effective. Finally, the IRS has not validated its telephone calling card inventory since early in Fiscal Year 2006.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief Technology Officer (CTO) reinforce the need to review telephone calling card charges quarterly for waste, fraud, and abuse and designate a specific executive within the CTO function as responsible for ensuring the reviews are completed. TIGTA also recommended that a comprehensive assessment of the operational capabilities of the TAT system be performed and that the CTO reinforce the need to conduct inventories of telephone calling cards annually and designate a specific executive within the CTO function as responsible for ensuring the inventories are completed.

In their response to the report, IRS officials agreed with the recommendations. The IRS plans to modify the current waste, fraud, and abuse runs to allow for a quarterly review of a sampling of the data captured across all 3 months of that quarter. The Director of Enterprise Voice Services is the designated executive responsible for ensuring that the telephone calling card charges are reviewed and that an annual validation of the calling cards is in place. Additionally, the IRS plans to perform a comprehensive assessment of the TAT system, including performing a gap analysis against management information needs.

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/200910050fr.pdf>.

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