



Treasury Inspector General for Tax Administration

PROCUREMENT'S CONTROL ENVIRONMENT WAS INEFFECTIVE AND DID NOT PREVENT OVERPAYMENTS TO CONTRACTORS

Issued on March 28, 2008

Highlights

Highlights of Report Number: 2008-10-092 to the Chief, Agency-Wide Shared Services.

IMPACT ON TAXPAYERS

Most Internal Revenue Service (IRS) mission critical programs rely on contract support. Because contract expenditures represent a significant outlay of IRS funds, TIGTA performed 16 audits of these expenditures and determined that the internal controls and practices the IRS had in place to verify contract charges were not effective. Without effective practices and internal controls to verify contract charges, the IRS is at risk of making improper payments and misusing taxpayer funds.

WHY TIGTA DID THE AUDIT

This audit was conducted to perform a trend analysis of common issues and findings identified in previously issued invoice and voucher audits. The purpose of our audit was to answer the following questions:

1. What are the common issues and findings from TIGTA audit reports and the Defense Contract Audit Agency audit reports related to invoice/voucher processing?
2. Were the planned corrective actions taken to resolve the individual conditions identified in TIGTA audit reports?
3. Are there any systemic control or process weaknesses that warrant improvement to the IRS' procurement activities?

WHAT TIGTA FOUND

TIGTA identified weaknesses in the control environment regarding the voucher/invoice verification process in 15 of the 16 audit reports issued from September 2003 through April 2007. The IRS did not perform comprehensive verifications of actual hours worked or a detailed review of travel expenses but simply accepted the contractors' certifications. In 2 of the 16 reports, the IRS was not verifying the skills/qualifications of the contractor employees and, therefore, overpaid contractors for

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employees not qualified for the charged positions. Another result of ineffective controls is the potential for nonidentification of illegal acts. TIGTA identified two instances of contractors submitting false claims for reimbursement. This overall weak control environment puts the IRS at risk for making improper payments. In response to our audits, Procurement developed a Guidebook for Acquisition Practices (Guidebook) that provides a detailed process for reviewing vouchers/invoices. Unless adequate supporting documentation for charges and contractor employee qualifications is obtained and reviewed, the IRS cannot assure the accuracy and allowability of the charges included on the invoices/vouchers.

TIGTA also identified two instances in which corrective actions were reported as being completed even though all the questionable charges had not been recovered. TIGTA brought this issue to management's attention and they agreed to resolve the issue. In addition, management agreed to change the reporting process and to ensure that all agreed-to questionable charges are recovered before they close the corrective action.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, Procurement, provide training on the Guidebook and follow up to ensure that it is being used to verify vouchers/invoices. Also, the Guidebook should be revised to include a résumé review to ensure that contractor employees are qualified for the positions at which they are being charged.

In their response to the report, IRS officials agreed to the recommendation. Training on the Guidebook was provided to Procurement personnel in October 2007. Management plans to revise the Guidebook to include a contractor employee qualification/verification process and to implement a quality review process to monitor compliance. Also, management plans to discuss the Guidebook at the 2008 Acquisition Planning Conference and make copies available to all attendees.

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/200810092fr.pdf>.

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