



Treasury Inspector General for Tax Administration

IMPROVEMENTS HAVE BEEN MADE TO EDUCATE TAX-EXEMPT ORGANIZATIONS AND ENFORCE THE PROHIBITION AGAINST POLITICAL ACTIVITIES, BUT FURTHER IMPROVEMENTS ARE POSSIBLE

Issued on June 18, 2008

Highlights

Highlights of Report Number: 2008-10-117 to the Internal Revenue Service Commissioner for the Tax Exempt and Government Entities Division.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) implemented the Political Activities Compliance Initiative (the Initiative) to educate tax-exempt organizations about the types of prohibited political activities and to notify organizations of the program implemented to enforce this prohibition. Efforts to educate tax-exempt organizations about prohibited political activities were increased, and several internal processes were enhanced. However, the IRS could further improve its effectiveness by tracking the reasons why timeliness goals are not always met and by ensuring that all employees clearly understand what should be included in the Initiative. These actions should increase the likelihood that tax-exempt organizations will stop the prohibited activities before the relevant election and that tax-exempt organization activities will be evaluated consistently and fairly.

WHY TIGTA DID THE AUDIT

The overall objective of the review was to assess the effectiveness of the Tax Exempt and Government Entities Division in addressing alleged political campaign intervention by tax-exempt organizations prohibited from intervening in any political campaign and to determine whether actions had detected repeated campaign intervention by previously identified organizations. This audit was requested by the former IRS Commissioner

WHAT TIGTA FOUND

The Tax Exempt and Government Entities Division effectively focused on prohibited political campaign intervention by emphasizing efforts to educate tax-exempt organizations about prohibited political activities, improving internal processes, and setting up a program to detect tax-exempt organizations that are potentially involved in repeated campaign intervention.

Email Address: inquiries@tigta.treas.gov
Web Site: <http://www.tigta.gov>

For example, the Exempt Organizations (EO) function improved the 2006 Initiative by more clearly defining timeliness guidelines and procedures for evaluating and assigning referrals for examination.

Although more detailed timeliness standards for evaluating referrals were created, the standards were not always met. In addition, employees did not always understand why certain referrals were not included in the Initiative. Employees responsible for initially identifying and researching referrals with alleged political intervention identified some additional referrals that had issues similar to referrals that were included in the Initiative. The Referral Committee, tasked with evaluating potential Initiative referrals, rejected the additional referrals for inclusion in the Initiative. TIGTA believes that it is appropriate for an experienced, independent Referral Committee to reject referrals for the Initiative under certain circumstances and understands that criteria cannot be written to address every situation. However, TIGTA also believes that due to the sensitivity of the referrals involving potentially prohibited political activities, all employees must clearly understand what should be included in the Initiative.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Director, EO, 1) ensure that all referrals of potentially prohibited political intervention are evaluated in a timely manner and 2) seek to improve the consistent understanding of prohibited political intervention criteria within the EO function.

The IRS agreed with the findings and has completed several corrective actions, including 1) continuing to monitor established timeliness goals in the 2008 Initiative, 2) modifying the timeliness goals to accommodate a new electronic case processing system, 3) continuing the policy requiring the Referral Committee to review political activity referrals on an as-required basis, 4) starting the 2008 Initiative earlier than the 2006 Initiative to reduce backlog, 5) reminding all personnel of the importance of the expedited time periods, and 6) training 30 additional agents on the Initiative to increase the Tax Exempt and Government Entities Division's ability to handle its caseload in a timely manner. In addition, IRS management ensured that all employees involved in the 2008 Initiative received the same training on political campaign intervention by tax-exempt organizations and instituted a process for the Referral Committee to provide feedback to the EO Classification function staff concerning why a referral was not selected for the Initiative.

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/200810117fr.pdf>

Phone Number: 202-622-6500