

GAO Highlights

Highlights of [GAO-14-70](#), a report to the Chairman, Committee on Finance, U.S. Senate

Why GAO Did This Study

Congressional committees and IRS rely on TIGTA's work to help improve the government's tax programs. GAO was asked to review the quality of audits issued by TIGTA. GAO's objectives were to determine the extent that TIGTA's (1) audit plans were consistent with CIGIE standards for planning and provided audit coverage of IRS and (2) audit policies and procedures were consistent with *Government Auditing Standards*, and a sample of audits were consistent with these standards and TIGTA's policies.

To address these objectives, for fiscal year 2012, GAO compared TIGTA's audit plans with CIGIE's *Quality Standards for Federal Offices of Inspector General* and reviewed documentation related to TIGTA's audit coverage. GAO also compared TIGTA's policies with selected requirements of *Government Auditing Standards* and compared a random, nongeneralizable sample of 20 TIGTA audits to selected requirements of the standards and TIGTA's policies.

What GAO Recommends

To help ensure audit conclusions are reported correctly and supported by sufficient evidence, GAO recommends that TIGTA develop and implement policies and procedures requiring a review of draft audit reports by individuals trained and qualified to assess the use of statistical and related data analyses.

In comments on a draft of this report, the TIGTA Inspector General agreed with GAO's recommendation, but disagreed that specific TIGTA report conclusions were not fully supported. GAO reaffirmed its findings.

View [GAO-14-70](#). For more information, contact Beryl H. Davis at (202) 512-2623 or davisbh@gao.gov.

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INSPECTORS GENERAL

A Sample of the Treasury IG for Tax Administration's Audits Were Generally Consistent with Standards, but Additional Review Could Address Exceptions

What GAO Found

The Treasury Inspector General for Tax Administration's (TIGTA) strategic audit plan for fiscal years 2009 through 2014 and annual audit plan for fiscal year 2012 were consistent with the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) planning guidance, including consideration of risk and coordination. TIGTA's plans included priorities related to risks; the concerns of stakeholders, including Internal Revenue Service (IRS) executives; coordination with GAO and the Congress; and consideration of the prevention and detection of fraud threats to IRS. GAO also determined that the 94 audit reports issued by TIGTA during fiscal year 2012 were either specifically identified in TIGTA's fiscal year 2012 annual plan or were consistent with audit issues covered by the plan. In addition, TIGTA's audits provided oversight of IRS's major programs and activities, high-risk areas identified by GAO, and the agency's management challenges as determined by TIGTA.

TIGTA's audit policies and procedures are contained in its *Operations Manual*. GAO found that TIGTA's audit policies and procedures were consistent with selected requirements of *Government Auditing Standards*. Also, GAO's review of a random, nongeneralizable sample of 20 TIGTA audits completed in fiscal year 2012 found that the audits were generally consistent with selected requirements of *Government Auditing Standards* and TIGTA's policies and procedures, with the following exceptions.

- The audits GAO sampled were consistent with auditing standards for documented supervision, but not all of the audit documentation had documented supervisory review within 30 days of completion as required by TIGTA's *Operations Manual*. Specifically, 9 of the 20 reports had a total of 86 audit documents with supervisory review documented after the 30-day requirement. Exceptions to TIGTA's policy on the timeliness of documented supervisory review of audit documentation had been previously identified by both TIGTA's internal quality assurance reviews and the most recent peer review performed by another office of inspector general. TIGTA has taken steps to reinforce adherence to the audit documentation policy that if properly implemented should help to ensure timely documented supervisory review.
- In two audit reports, specific statements were not fully supported by sufficient evidence. In one instance, TIGTA reported using a judgmental sample of IRS organizations, which cannot be projected to the population, as support for a conclusion about the relative ability of IRS organizations to implement best practices. In another instance, TIGTA did not have sufficient evidence in the report and audit documentation to support the reported potential for \$21 billion in fraudulent tax refunds because of identity theft and the reported cost savings that could result from its audit recommendation.

TIGTA's policies and procedures do not include a review of audit reports by staff members trained in the use of statistics and related data analyses. Such a review by qualified individuals would help to ensure that the conclusions are reported correctly and supported by sufficient evidence as specified by auditing standards.