

GAO Highlights

Highlights of [GAO-16-155](#), a report to congressional requesters

Why GAO Did This Study

Reports by the public of suspected underreporting of taxes or other tax violations can help IRS detect millions of dollars in taxes that would otherwise go uncollected. Productive referrals can help address the net \$385 billion tax gap—the difference between the amount of taxes paid voluntarily on time and the amount owed. IRS received about 87,000 information referrals in fiscal year 2015.

GAO was asked to assess the overall effectiveness of the information referral process. This report (1) describes IRS's process for screening and routing information referrals; (2) assesses the controls for the information referral screening and routing process; and (3) evaluates the coordination between the information referral process, the Whistleblower Office, and other IRS referral programs. GAO reviewed IRS guidance, processes, and controls for the information referral process, assessed whether IRS's processes followed *Standards for Internal Control in the Federal Government*, and interviewed IRS officials.

What GAO Recommends

GAO recommends, among other things, that IRS establish an organizational structure that identifies responsibility for defining objectives and for measuring results for information referrals; document procedures for the information referral process; and establish a coordination mechanism across IRS referral programs. IRS agreed with GAO's recommendations.

View [GAO-16-155](#). For more information, contact Jessica Lucas-Judy at (202) 512-9110 or lucasjudj@gao.gov.

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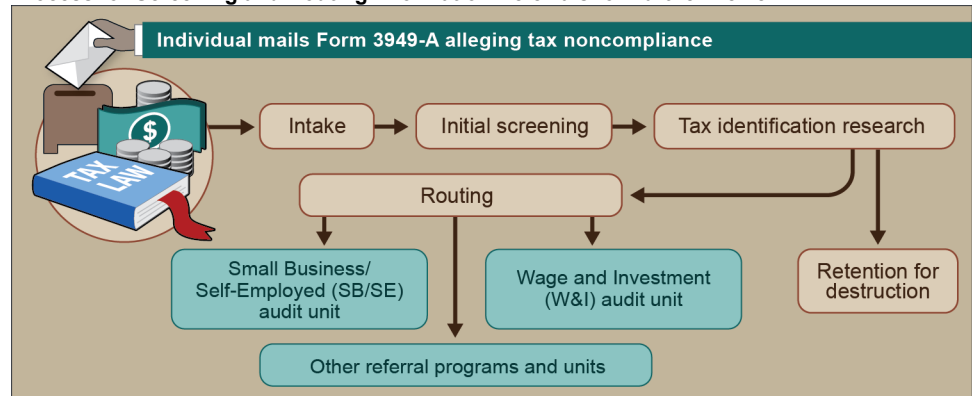
IRS REFERRAL PROGRAMS

Opportunities Exist to Strengthen Controls and Increase Coordination across Overlapping Programs

What GAO Found

Information referrals from the public alleging tax noncompliance must be submitted on paper forms by mail to the Internal Revenue Service (IRS). These referrals are manually screened by clerical staff and routed by mail to units across IRS for further action, as shown in the figure.

Process for Screening and Routing Information Referrals for Further Review



Source: GAO analysis of IRS information. | GAO-16-155

Ineffective internal controls undercut IRS management of the information referral process. IRS does not have an organizational structure for information referrals with clear leadership for defining objectives and outcomes for measuring cost-effectiveness and results. Without clear leadership, IRS does not know how effectively it is leveraging information referrals to address the tax gap. IRS has incomplete documentation of procedures for the information referral process, increasing the risk of delays and added costs in routing the information for further action. Although one-quarter of the information referrals in fiscal year 2015 were sent for destruction after screening, IRS has not documented procedures for supervisory review of those referrals prior to destruction. Without procedures to address these control deficiencies, IRS is compromised in its ability to know how effectively it is leveraging tax noncompliance information reported by the public.

Fragmentation and overlap across IRS's general information referral process and eight specialized referral programs, such as for reporting identity theft and misconduct by return preparers, can confuse the public trying to report tax noncompliance to IRS. Yet coordination between referral programs is limited, and IRS does not have a mechanism for sharing information on crosscutting issues and collaborating to improve the efficiency of operations across the mix of referral programs. As a result, IRS may be missing opportunities to leverage resources and reduce the burden on the public trying to report possible noncompliance.