TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Fiscal Year 2026 Statutory Review of Compliance With Restrictions on the Use of Enforcement Statistics

September 17, 2026

Report Number: 2026-300-046

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HIGHLIGHTS: Fiscal Year 2026 Statutory Review of Compliance With Restrictions on the Use of Enforcement Statistics

Final Audit Report issued on September 17, 2026 **Report Number 2026-300-046**

Why TIGTA Did This Audit

We are required under Internal Revenue Code Section (§) 7803(d)(1) to annually determine whether the IRS complied with restrictions on the use of enforcement statistics to evaluate employees as set forth in § 1204 of the IRS Restructuring and Reform Act of 1998 (RRA 98).

We focused our coverage on the Large Business and International Division for Fiscal Year 2025.

Impact on Tax Administration

RRA 98 § 1204(a) requires the IRS to ensure that managers do not evaluate enforcement employees using any record of tax enforcement results (ROTER) or base employee successes on meeting goals or quotas. A tax enforcement result is the outcome of an IRS employee's exercise of judgment in the pursuit of enforcing the tax laws.

RRA 98 § 1204(b) requires all IRS employees to be evaluated using the fair and equitable treatment of taxpayers as a performance standard. RRA 98 § 1204(c) requires each appropriate supervisor to perform a quarterly self-certification of whether ROTERs, production quotas, or goals were used in a prohibited manner. The use of ROTERs to manage IRS employees is unlawful and may create the misperception that safeguarding taxpayer rights is secondary to IRS enforcement results.

What TIGTA Found

We identified 15 violations of § 1204(a) relating to the use of ROTERs during our review of employees' performance evaluations. We also found 17 instances of noncompliance with §§ 1204(b) and 1204(c). Section 1204(b) requires that all IRS employees be held to the fair and equitable treatment of taxpayers, known as the retention standard. Section 1204(c) requires supervisors to perform a quarterly self-certification by letter to the Commissioner of the IRS on whether tax enforcement results are being used in a prohibited manner under § 1204(a). The violations of these provisions we found in this review are as follows:

Types of Violations			Noncompliance
§ 1204	(a)	ROTERs	15
	(b)	Retention Standards	14
	(c)	Quarterly Certification	3

Section 1204(a) – 15 violations associated with the use of ROTERs in the Large Business and International Division's performance evaluations.

Section 1204(b) – 14 instances of noncompliance in the Large Business and International Division that management failed to either maintain the retention standard documentation or ensure that it was appropriately signed.

Section 1204(c) – 3 instances in which 3 Large Business and International Division managers did not complete at least one Fiscal Year 2025 quarterly certification and did not have a reasonable explanation.

What TIGTA Recommended

We made three recommendations that the IRS discuss the noncompliance issues we identified with responsible managers to ensure that they understand the guidelines related to § 1204. IRS management fully or partially agreed with two of the three recommendations and plans to take corrective action. The IRS disagreed with the three instances of § 1204(c) noncompliance, stating that it has policies that allow certification in a subsequent quarter. However, the IRS did not provide reasonable explanations as to why the three managers did not certify in the applicable 45-day certification window. Regarding our recommendation to address the § 1204(a) violations, the IRS disagreed with 11 of the violations stating it can use ROTERs when reviewing an employee's work on an individual case. However, the 11 violations pertained to the use of ROTERs in an employee's appraisal, which is prohibited by § 1204(a).

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20024

September 17, 2026

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Diana M. Tengesdal
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Fiscal Year 2026 Statutory Review of Compliance With Restrictions on the Use of Enforcement Statistics (Audit No.: 2026300002)

This report presents the results of our review to determine whether the Internal Revenue Service (IRS) complied with restrictions on the use of enforcement statistics to evaluate employees as set forth in the IRS Restructuring and Reform Act of 1998 § 1204.[1] This review is part of our Fiscal Year 2026 Program Plan and addresses the major management and performance challenge of *Improving Taxpayer Service and Protecting Taxpayer Rights*.

Management's complete response to the draft report is included as Appendix II. If you have any questions, please contact me or Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

[1] Pub. L. No. 105-206, 112 Stat. 685.

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Background

Our tax system depends on taxpayers' belief that the tax laws apply to everyone and that the Internal Revenue Service (IRS) respects and protects their rights under the law. The IRS Restructuring and Reform Act of 1998 (RRA 98) was signed into law in July 1998 to ensure that this standard is upheld.[1] RRA 98 Section (§) 1204 was written to ensure that IRS employees' decisions on taxpayer cases are based on the facts and circumstances of their situation rather than the IRS trying to meet any statistical goal. RRA 98 §§ 1204(a) and (c) pertain to employees who exercise judgment in recommending or determining whether or how the IRS should pursue tax law enforcement or employees who provide direction or guidance for field programs involving § 1204 work activities. RRA 98 § 1204(b) applies to all IRS employees and requires them to be evaluated using a standard of "fair and equitable treatment of taxpayers."

A § 1204 manager has at least one § 1204 employee within their reporting structure. Section 1204 employees make judgmental decisions on the IRS's enforcement of the tax law. Examples of judgments include determining whether to conduct a seizure, file a lien, or disallow an unsupported itemized deduction.

A record of tax enforcement result (ROTER) is the outcome of an IRS employee's judgment on how the IRS should pursue tax law enforcement. Examples of tax enforcement results include if taxes are collected, if there is a fraud referral, or if there is prosecution of a taxpayer.

Section 1204(a) - Records of Tax Enforcement Results

Section 1204(a) restricts the use of enforcement statistics and prohibits the IRS from using any ROTER to evaluate employees, or to impose or suggest enforcement-related production quotas or goals. For example, if a manager suggests an enforcement-related production quota or goal to a § 1204 employee, then that would be considered a § 1204(a) violation. A ROTER does not include evaluating an individual case to determine whether an employee exercised appropriate judgment in pursuing enforcement of the tax laws. A phrase referring to a tax enforcement result that focuses on the process rather than the outcome is acceptable in the evaluation of a § 1204 employee. The use of ROTERs to manage IRS employees violates RRA 98 and may create the misperception that safeguarding taxpayer rights is secondary to IRS enforcement results.

Section 1204(b) – Fair and Equitable Treatment Standard

Section 1204(b) requires all IRS employees to be evaluated using the fair and equitable treatment of taxpayers as a performance standard. The IRS refers to this standard as the retention standard because employees receiving a "Not Met" rating may be removed from their positions or the IRS. The retention standard appears in all IRS employees' performance plans.

Section 1204(c) – Quarterly Certification

Section 1204(c) requires each appropriate supervisor to perform a quarterly self-certification (hereafter referred to as certification) by letter to the Commissioner of the IRS on whether tax enforcement results are being used in a prohibited manner under § 1204(a). In the certification,

[1] Pub. L. No. 105-206, 112 Stat. 685.

the appropriate supervisor attests to whether ROTERs, production quotas, or goals were used inappropriately. As of September 2025, there were 27,094 IRS employees subject to § 1204(a) requirements, of which 23,893 were non-supervisory employees and 3,201 were managers.

Internal Revenue Code § 7803(d)(1) requires us to determine annually whether the IRS complies with restrictions on the use of enforcement statistics under § 1204. We have performed 27 annual reviews to meet this requirement.

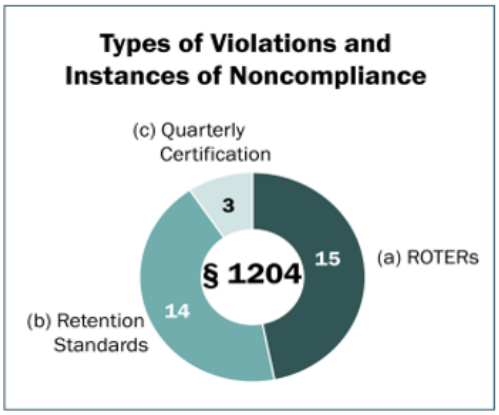
Results of Review

The IRS is not permitted to use ROTERs or enforcement-related production goals or quotas to evaluate employees. To identify §§ 1204(a), (b), and (c) violations, we focused our coverage on the Large Business and International (LB&I) Division for Fiscal Year (FY) 2025.[2] During our review of FY 2025, we identified violations of §§ 1204(a), (b), and (c), as follows:

Section 1204(a) – 15 violations associated with the use of ROTERs in 11 performance evaluations.

Section 1204(b) – 14 instances of noncompliance that IRS management failed to either maintain the retention standard documentation or ensure that it was appropriately signed.

Section 1204(c) – Three instances in which three managers did not complete at least one FY 2025 quarterly certification.



The IRS Violated RRA 98 § 1204(a) in 15 Instances

We identified 15 violations of § 1204(a) in the LB&I Division during FY 2025. These consisted of:

- Five violations associated with four performance evaluations in the Form 12450 series that contained ROTERs.
- Ten violations associated with seven performance evaluations in the Form 6850-BU series, that contained ROTERs.[3]

The ROTERs we identified were generally used by managers in the performance evaluations of employees involved in the examination process and referred to the size of tax adjustments, refunds, and other tax enforcement results. The managers completing these evaluations did not understand that they were prohibited from using these tax enforcement results in their employees' appraisals. For example, LB&I Division management agreed that ROTERs were used but they argued it was permissible when based upon a review of the employee's work on an

[2] See Appendix III for a glossary of terms.

[3] Form 12450-A, *Manager Performance Agreements*; Form 12450-B, *Management Official Performance Agreement Form*; and Form 6850-BU, *Bargaining Unit Performance Appraisal and Recognition Election*.

individual case. However, the prohibition of the use of ROTERs applies to the result reached in a single case when it is used in an employee appraisal.

To evaluate compliance, we used common language, terms, and phrases that have been or may be associated with ROTERs. We used data analysis software to analyze 4,255 electronic performance evaluation files of § 1204 employees in the LB&I Division for these high-risk terms and phrases. We then manually reviewed the terms and phrases within 68 evaluation documents for context and use.

The use of ROTERs to evaluate employees, whether it is intentional or not, could result in a perception that the IRS is focusing on tax enforcement results and not the fair and equitable treatment of taxpayers. Under the Taxpayer Bill of Rights, taxpayers have the right to a fair and just tax system.

Recommendation 1: The Commissioner, LB&I Division, should ensure that the 15 § 1204(a) violations we identified are discussed with the respective managers to ensure that they understand the guidelines related to the use of ROTERs.

> **Management's Response:** IRS management partially agreed with this recommendation. Pursuant to 26 Code of Federal Regulations § 801.7(a), ROTERs "do not include tax enforcement results from individual cases when used to determine whether an employee exercised appropriate judgment in pursuing enforcement of the tax laws based upon a review of the employee's work on that individual case." The IRS Office of Chief Counsel, General Legal Services, determined that 11 instances fall within this regulatory exception and do not constitute a ROTER. IRS management concurs with the remaining four violations and will discuss them with the responsible managers to reinforce compliance with § 1204 requirements.
>
> > **Office of Audit Comment:** The Code of Federal Regulations citation the IRS attributes to the statement in its response does not apply. We believe the IRS intended to cite § 801.6(d)(2). This section does permit the use of ROTERs when reviewing an employee's work on an individual case to determine whether an employee exercised appropriate judgment. However, the 11 cases that the IRS disagreed with pertain to the use of ROTERs in an employee's appraisal which is prohibited by § 1204(a). As previously stated, we identified instances where managers referred to the size of tax adjustments and refunds in the employee's appraisal. Accordingly, the IRS should discuss all 15 cases with the respective managers.

Noncompliance With the Retention Standard Remains a Concern

Section §1204(b) requires that managers discuss the retention standard with their employees at the beginning of performance rating periods. After it is discussed, the employee and manager are required to acknowledge the retention standard by signing the applicable retention standard document.[4]

[4] The retention standard documents are Form 6774, *Receipt of Critical Job Elements and Fair and Equitable Treatment of Taxpayers Retention Standard*; Form 12450-A; Form 12450-B; Form 12450-D, *Management/Program Analyst Performance Agreement*; or SES Performance Management System, *Executive Performance Agreement*.

Ultimately, the retention standard requires employees to administer tax laws fairly and equitably; protect all taxpayers' rights; and treat each taxpayer ethically with honesty, integrity, and respect. Managers are required to evaluate employees as "Met," "Not Met," or "Non-Applicable" on the standard as a Critical Job Element. The retention standard appears in all IRS employees' performance plans. Compliance with § 1204(b) is two-fold:

- The receipt and acknowledgment of the retention standard. Within the first 30 days of the start of each performance period, managers must provide the appropriate retention standard document to employees. The manager and employee must sign and date the form indicating the retention standard was provided and discussed.
- The annual performance rating related to the retention standard. At the end of the performance period, the employee must be evaluated on the retention standard using the appropriate appraisal form.

The IRS's procedures mandate that both the receipt and acknowledgment of the retention standard, along with the performance rating, are documented in the employee's performance file. We sampled from a population of all LB&I Division employees, not just § 1204 employees. We reviewed a random sample of 76 employees from a population of 5,463 managers and non-supervisory employees.[5] We found 14 (18 percent) instances of noncompliance with § 1204(b).

We found that six employees were missing the appropriate retention standard document. Of the 70 documents that we reviewed, 8 employees did not have the appropriate signatures on their retention standard document. We discussed the 14 § 1204(b) cases with LB&I Division management to confirm the cause of the violations. We could not determine why the six missing Forms 6774 documents could not be found in the respective performance files. Regarding the eight documents that did not contain the required signatures, we determined that: two of the employees were not available to sign at the time the Form 12450 was due (*e.g.*, the employee was on a detail assignment); and in six instances the managers did not ensure that they or the respective employee signed Form 6774.

Based on our sample results from a population of 5,463 employees and managers, we project:

- 431 employees' retention standard documents are missing from their performance files.
- 624 employees have either one or both required acknowledgment signatures missing from their retention standard documents.[6]

All 70 employees reviewed were evaluated as "Met" for the retention standard. Therefore all 70 employees were found to administer tax laws fairly and equitably; protect all taxpayers' rights; and treat each taxpayer ethically with honesty, integrity, and respect.

[5] Our sample was selected using a 95 percent confidence interval, 5 percent error rate, and ±5 percent precision factor.

[6] When projecting the results of our statistical sample for the missing retention standard forms, we are 90 percent confident that the actual total amount is between 191 and 819. When projecting the results of our statistical sample for the missing signatures on the retention standard forms, we are 90 percent confident that the actual total amount is between 318 and 1,075.

Employees are still not acknowledging retention standards at the start of the rating period

We have historically reported on the timeliness associated with retention standard documents. Timeliness and documentation of noncompliance are not specifically addressed in § 1204(b). However, the IRS's procedures state that employees must acknowledge receipt of the retention standard each year within 30 days from the beginning of the rating period, even if their performance standards have not changed from the prior year.

The importance of the manager timely informing and obtaining acknowledgment from the employee provides assurance that: 1) the retention standards have been discussed and agreed upon by both parties, and 2) the employee is knowledgeable in providing fair and equitable treatment to taxpayers.

We assessed the timeliness of 65 employee signatures on the 70 retention standard documents received. Out of the 70 documents, five were not reviewed because two were signed before the performance period and three were not signed by the employee. We identified 37 (57 percent) retention standard documents that were signed timely and 28 (43 percent) that were not signed timely.

Also, we assessed the timeliness of 63 manager signatures on the 70 retention standard documents received. We removed seven of the 70 documents since one was signed before the performance period and six were not signed by the manager. We identified 34 (54 percent) retention standard documents that were signed timely, and 29 (46 percent) that were not. Figure 1 provides our results concerning those not signed timely.

Figure 1: Aging of the Retention Standard Documents Not Signed Timely[7]

	Employee Acknowledgment	Manager Acknowledgment
Signed > 30 days to 90 days	8	6
Signed 91 days to 365 days	18	20
Signed after a year	2	3
Total	**28**	**29**

Source: Analysis of Forms 6774 and 12450 with rating periods ending in FY 2025.

The failure of managers and their employees to timely acknowledge their responsibility to treat taxpayers fairly and equitably is a concern and not in compliance with the IRS's established policies. Acknowledgment of the retention standard at the beginning of the rating period ensures that employees are aware of the standard that taxpayers must be treated in a fair and equitable manner. Furthermore, IRS policies require supervisors to meet with employees within 30 days of the beginning of the appraisal period to ensure an understanding of job expectations.

Recommendation 2: The Commissioner, LB&I Division, should ensure that the 14 instances of § 1204(b) noncompliance are discussed with the managers responsible to ensure that they understand the requirements of the retention standard documentation.

[7] There were 25 documents not signed timely by both the employee and manager, 3 were not signed timely by the employee only, and 4 were not signed timely by the manager only.

Management's Response: IRS management agreed with this recommendation. The LB&I Division will discuss the 14 instances of noncompliance with the responsible managers.

Most Fiscal Year 2025 Quarterly Certifications Were Completed as Required

Section 1204(c) requires quarterly that each appropriate supervisor self-certify on whether tax enforcement results are being used in a prohibited manner under § 1204(a) and to inform the IRS Commissioner of the results. The IRS's procedures require that the certifications are completed within 45 days after the end of each quarter. For example, the second quarter of FY 2025 ended on March 31, 2025; therefore, the certification due date was May 15, 2025.

If a supervisor is unavailable during the certification window of 45 days, IRS policy provides for the manager to certify during next quarter's certification window. The manager will report on any ROTERs discovered during the prior uncertified quarter.

We reviewed 2,319 certifications (656 unique managers) spanning all four quarters of FY 2025. Due to attrition, promotions and temporary managerial positions, some managers may not have been required to certify all four quarters. We found three instances of noncompliance with § 1204(c). Specifically, three quarterly certifications, attributable to three managers, were not completed within the 45-day certification window. These three managers certified in the subsequent quarter. However, LB&I Division management did not sufficiently explain why the managers did not certify during the appropriate 45-day certification window.

For the remaining 2,316 certifications we found:

- 2,054 quarterly certifications were completed timely.
- 259 quarterly certifications for fourth quarter FY 2025 were not completed within the usual required time frame due to a lapse in government funding. After the IRS returned to work, all 259 employees certified before or on the revised deadline.
- 3 quarterly certifications (3 unique managers) were not completed within the required time frame, but all three managers had a reasonable explanation. All three were on administrative leave for the quarter being certified and were not available during the respective certification periods.

When quarterly certifications are not completed or contain errors when completed, there is an increased risk that ROTERs used in a manner prohibited under § 1204(a) are not reported. In addition, if the IRS Commissioner is not accurately notified of the IRS's noncompliance with § 1204(a) each quarter, the IRS may be in violation of § 1204(c).

Clarifying language was recently added to increase the accuracy of the quarterly self-certification responses

In addition to reviewing whether the certification was completed, we reviewed the responses to the § 1204 Quarterly Electronic Certification statements for all four quarters. We previously

reported a concern that managers are incorrectly responding to the quarterly certification statements.[8]

The statements the managers review and address during the certification process are:

1. I certify to the Commissioner of Internal Revenue that I did not use records of tax enforcement results (as defined in § 801.6) to evaluate my employee or to impose or suggest production quotas or goals this quarter.
2. While carrying out my due diligence to complete this certification, I identified what may be the inappropriate use of records of tax enforcement results. I notified my § 1204 Program Manager of my report.

If a § 1204 manager selects "Disagree" for the first statement or selects "Yes" for the second statement, the manager is stating that an unlawful ROTER was used or identified. The manager is then required to report the violation within a separate system. We identified 18 responses, from 17 managers, that warranted additional reporting on potential ROTER violations in the IRS's system. These managers selected "Disagree" and/or "Yes," respectively, when completing the certification process for a quarter. We contacted the 17 managers to request more information on their responses indicating they encountered a ROTER. We determined that one manager intended to report a ROTER. The other 16 managers indicated that they mistakenly reported a ROTER due to confusion regarding the certification instructions.

We recommended, and the IRS agreed, to clarify the language used for the responses to increase the accuracy of the certification results. The IRS implemented the planned corrective action for the first quarter of the FY 2026 certification process. The IRS believes that this should increase the accuracy of the certification results and potential ROTERs reported in the future.

Recommendation 3: The Commissioner, LB&I Division, should ensure that the three § 1204(c) violations we identified are discussed with the managers responsible to ensure that the managers understand the requirements of the § 1204 certification process.

Management's Response: IRS management disagreed with this recommendation. All LB&I Division managers completed the required quarterly certifications in full compliance with Internal Revenue Manual 1.5.3 and IRS policy.

Office of Audit Comment: We disagree with IRS management's statement that the three managers fully complied with policy and procedures and completed the required quarterly certifications. The policy allows managers to submit their quarterly certification in the next certification cycle if they are absent during the 45-day certification. However, as we reported, the LB&I Division did not sufficiently explain why the managers did not certify during the 45-day certification window.

[8] TIGTA, Report No. 2025-300-044, *Fiscal Year 2025 Statutory Audit of Compliance With Legal Guidelines Restricting the Use of Records of Tax Enforcement Results*, p. 11 (September 2025).

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to determine whether the IRS complied with restrictions on the use of enforcement statistics to evaluate employees as set forth in RRA 98 § 1204. To accomplish our objective, we:

- Determined if the IRS complied with the provisions of § 1204(a) when evaluating the performance of § 1204 employees for FY 2025. We used data analysis software to analyze information in 252 electronic files of § 1204 employees in the LB&I Division for the use of high-risk terms and phrases. The 252 electronic files contained a total of 4,255 individual performance evaluations.
- Searched the performance evaluations for certain enforcement terms and phrases. Our analysis identified 89 uses of these terms and phrases, associated with 68 unique performance evaluation documents.
- Determined if the IRS complied with the provisions of § 1204(b) when evaluating the performance of § 1204 and non-§ 1204 employees. The LB&I Division had a population of 5,463 employees. Based on consultation with our statistician, we selected a stratified random sample of 76 performance files from the population of employees to test compliance with retention standards. Our sample was selected using a 95 percent confidence interval, 5 percent error rate, and a ±5 percent precision factor.
- Determined if the § 1204 managers complied with § 1204(c) by certifying whether ROTERs were used in a manner prohibited by subsection § 1204(a). We identified a total population of 2,319 certifications for all four FY 2025 quarters.

Performance of This Review

This review was performed with information obtained from the Human Capital Office and LB&I Divisions, located in Washington, D.C., during the period November 2025 through May 2026. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Data Validation Methodology

We obtained the FY 2025 § 1204 employee and manager list, as well as the FY 2025 non-§ 1204 lists for the LB&I Division, from the IRS Human Capital Office. We used these lists to develop our stratified sampling plan. Our sampling plan was developed in consultation with our statistician. We also obtained the population of evaluations completed in FY 2025 from the Department of the Treasury's HR Connect system. To determine the reliability of our datasets, we reviewed the § 1204 population data for duplicates and any missing information and compared the data to the Department of the Treasury's Integrated Talent Management system. We also reviewed existing information about the data and the system that produced them and interviewed agency

officials within the IRS knowledgeable about the data. These tests determined that the data were sufficiently reliable for purposes of this report.

Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the guidelines and rules related to using ROTERs in a way that improperly influences the handling of taxpayer cases and retention standard guidance. We evaluated these controls by reviewing midyear and annual performance reviews, a stratified sample of retention standard documentation, and quarterly self-certifications.

Appendix II

Management's Response to the Draft Report

HUMAN CAPITAL OFFICE

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

August 12, 2026

MEMORANDUM FOR DIANA M. TENGESDAL
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Alex Kweskin
IRS Chief Human Capital Officer

Alexander C. Kweskin
Digitally signed by Alexander C. Kweskin
Date: 2026.08.12 10:15:14 -04'00'

SUBJECT: Draft Audit Report – TIGTA Audit 2026300002, Fiscal Year 2026 Statutory Review of Compliance With Restrictions on the Use of Enforcement Statistics

The IRS achieved 100 percent compliance with Large Business and International (LB&I) managers completing the required quarterly certifications and 99.9 percent compliance for electronic performance evaluations reviewed that did not include Records of Tax Enforcement Results (ROTERs) language. Your report highlights the IRS's dedication to compliance with Section 1204 requirements.

In Fiscal Year 2025, 4,397 employees within the LB&I Division were subject to Section 1204 of the IRS Restructuring and Reform Act of 1998 (RRA '98). The report's findings validate LB&I's commitment to complying with statutory requirements. These results demonstrate IRS's compliance and commitment.

The IRS will continue to administer a successful Section 1204 Program. To comply with the RRA '98, the IRS performs the following activities:

1. Reviews performance documents to identify and correct use of ROTERs language.
2. Completes Section 1204 quarterly certifications.
3. Provides annual Section 1204 training and performance management training.
4. Maintains the Section 1204 website.
5. Issues publications supporting RRA '98 compliance and the Quarterly Certification Memorandum for Record.

Thank you for reviewing the IRS's Fiscal Year 2026 statutory compliance with restrictions on the use of enforcement statistics and concurring the IRS achieved 99.9 percent compliance for electronic performance evaluations reviewed and 100 percent compliance with LB&I managers completing the required quarterly certifications.

Responses to the recommendations are attached. If you have questions, please contact me at (202) 317-5240. Members of your staff may contact Mike Radock, Acting Director, Human Resources Operations and Shared Services, at (321) 253-7625.

Attachment

Attachment

The Internal Revenue Service (IRS) Management Response to the Treasury Inspector General for Tax Administration (TIGTA) Draft Report
Fiscal Year 2026 Statutory Review of Compliance With Restrictions on the Use of Enforcement Statistics
(Audit 2026300002)

RECOMMENDATION 1
The Commissioner, LB&I Division, should ensure that the 15 RRA 98 § 1204(a) violations we identified are discussed with the respective managers to ensure that they understand the guidelines related to the use of ROTERs.

CORRECTIVE ACTIONS
The IRS partially agrees with this recommendation. Almost 100 percent of the Large Business and International (LB&I) Division's electronic performance evaluations reviewed were compliant with Section 1204 requirements and did not include Records of Tax Enforcement Results (ROTERs). Pursuant to 26 Code of Federal Regulations Section (§) 801.7(a), ROTERs "do not include tax enforcement results from individual cases when used to determine whether an employee exercised appropriate judgment in pursuing enforcement of the tax laws based upon a review of the employee's work on that individual case." The IRS Office of Chief Counsel, General Legal Services, determined that 11 of the identified instances fall within this regulatory exception and, therefore, do not constitute Section 1204(a) violations.

The IRS concurs with the remaining four violations and will discuss them with the responsible managers to reinforce compliance with Section 1204 requirements.

IMPLEMENTATION DATE
November 15, 2026

RESPONSIBLE OFFICIAL(S)
Director, Program and Business Solutions, LB&I Division

CORRECTIVE ACTION(S) MONITORING PLAN
The IRS will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 2
The Commissioner, LB&I Division, should ensure that the 14 instances of RRA 98 § 1204(b) noncompliance are discussed with the responsible managers to ensure that they understand the requirements of the retention standard documentation.

CORRECTIVE ACTIONS
The IRS agrees with this recommendation. The LB&I Division will discuss the 14 instances of the IRS Restructuring and Reform Act of 1998 (RRA '98) § 1204(b) noncompliance with the responsible managers.

MPLEMENTATION DATE
November 15, 2026

RESPONSIBLE OFFICIAL(S)
Director, Program and Business Solutions, LB&I Division

CORRECTIVE ACTION(S) MONITORING PLAN
The IRS will monitor this corrective action as part of our internal management control system.

RECOMMENDATION 3
The Commissioner, LB&I Division, should ensure that the three § 1204(c) violations we identified are discussed with the managers responsible to ensure that the managers understand the requirements of the § 1204 certification process.

CORRECTIVE ACTIONS
The IRS disagrees with this recommendation. All LB&I managers completed the required quarterly certifications in full compliance with Internal Revenue Manual 1.5.3 and the IRS policy. Given this 100 percent compliance rate, the IRS believes existing controls are operating effectively and that additional corrective action is not warranted.

IMPLEMENTATION DATE
Not Applicable

RESPONSIBLE OFFICIAL(S)
Not Applicable

CORRECTIVE ACTION(S) MONITORING PLAN
Not Applicable

Appendix III

Glossary of Terms

Term	Definition
Critical Job Element	The critical actions, objectives and results the IRS expects its employees to accomplish during an appraisal year.
Employee Performance File	A system consisting of all performance records maintained on an employee.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The federal government's fiscal year begins on October 1 and ends on September 30.
HR Connect system	A system owned and managed by the Department of the Treasury. It provides managers with the ability to access basic data for employees they supervise, initiate awards and other personnel actions, manage positions by reviewing detailed information about authorized staffing, and initiate recruitment actions.
Integrated Talent Management system	One system that consolidates several human resources systems and includes four primary human resource management modules: Learning, Performance Management, Succession Planning, and Workforce Planning.
Performance Management System	A system that brings standalone human resources systems, such as performance evaluations and training resources, into one connected system.

Appendix IV

Abbreviations

FY	Fiscal Year
IRS	Internal Revenue Service
LB&I	Large Business and International Division
ROTER	Record of Tax Enforcement Result
RRA 98	IRS Restructuring and Reform Act of 1998
TIGTA	Treasury Inspector General for Tax Administration

To report fraud, waste, or abuse,
contact our hotline on the web at
https://www.tigta.gov/reportcrime-misconduct.

To make suggestions to improve IRS policies, processes, or systems affecting taxpayers, contact us at
TIGTACommunications@tigta.treas.gov.

Information you provide is confidential, and you may remain anonymous.