CHAPTER 300 – AUDITING

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CHAPTER 300 – AUDITING

(300)-10 **Introduction**

10.1 <u>Abbreviations and Acronyms</u>.

ACRONYM	TITLE
ADA	Americans with Disabilities Act
ADEA	Age Discrimination in Employment Act
AGA	Association of Government Accountants
AICPA	American Institute of Certified Public Accountants
AIGA	Assistant Inspector General for Audit
AIMS	Audit Information Management System
ART	Applied Research and Technology
ASED	Assessment Statute Expiration Date
BSA	Bank Secrecy Act
CAF	Corrective Action Form
CASE	Computer Aided Software Engineering
CB	Cumulative Bulletin
CCH	Commerce Clearing House
CD-ROM	Compact Disk-Read Only Memory
CFE	Certified Fraud Examiner
CFO	Chief Financial Officer
C.F.R.	Code of Federal Regulations
CGFM	Certified Government Financial Manager
CIA	Certified Internal Auditor
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CM	Configuration Management
CMIR	Currency and Monetary Instrument Report
CMP	Configuration Management Plan
CO	Contracting Officer
CPA	Certified Public Accountant
CPE	Continuing Professional Education
CSED	Collection Statute Expiration Date
CTR	Currency Transaction Report
DCAA	Defense Contract Audit Agency
DIAL	Delinquent Investigation/Account Listing
DIF	Discriminant Index Function
DIGA	Deputy Inspector General for Audit
DIGI	Deputy Inspector General for Investigations
ECMS	Executive Control Management System

ACRONYM	TITLE
EDP	Electronic Data Processing
EFTPS	Electronic Funds Transfer Program System
EP/EO	Employee Plans/Exempt Organizations
ERISA	Employee Retirement Income Security Act
FAR	Federal Acquisition Regulation
FFMIA	Federal Financial Management Improvement Act
FIRMR	Federal Information Resources Management Regulation
FMFIA	Federal Managers' Financial Integrity Act
FOIA	Freedom of Information Act
FTD	Federal Tax Deposit
FTE	Full-time Equivalent
GAO	Government Accountability Office
GAGAS	Government Auditing Standards
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
IDRS	Integrated Data Retrieval System
IG	Inspector General
IGATI	Inspector General Audit Training Institute
IIA	Institute of Internal Auditors
I.R.C.	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
ITS	Information Technology Services
JAMES	Joint Audit Management Enterprise System
LEM	Law Enforcement Manual
LOU	Limited Official Use
MPW	Management Planning and Workforce Development
MITS	Modernization and Information Technology Services
NTEU	National Treasury Employees Union
OA	Office of Audit
OI	Office of Investigations
OIG	Office of Inspector General
OJT	On-the-Job Training
OMB	Office of Management and Budget
OMC	Office of Management Controls
OMP	Office of Management and Policy
OMS	Outcome Measure Summary

ACRONYM	TITLE
PMAI	Presidential Management Agenda Initiatives
POD	Post of Duty
QSI	Quality Standards for Inspections
RAS	Resource Allocation System
RRA 98	IRS Restructuring and Reform Act of 1998
RWMS	Resources and Workload Management System
SAC	Special Agent-in-Charge
SAR	Semiannual Report to the Congress
SBU	Sensitive But Unclassified
SDS	Office of Investigations Strategic Data Services
SED	Strategic Enforcement Division
SLC	Systems Development Life Cycle
SWPD	Strategic Workforce Planning and Development
TBOR	Taxpayer Bill of Rights
TC	Transaction Code
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
UNAX	Unauthorized Access (Browsing)
U.S.	United States
U.S.C.	United States Code
VMS	Voice Management System

10.2   <u>Mission of Office of Audit</u>.
The mission of the Office of Audit (OA) is to promote the sound administration of the nation's tax laws by conducting comprehensive, independent performance and financial audits of Internal Revenue Service (IRS) programs and operations to:

- Assess efficiency, economy, effectiveness and program accomplishments.

- Ensure compliance with applicable laws and regulations.

- Prevent, detect, and deter fraud, waste and abuse.

The OA timely reports on program and operational deficiencies and makes recommendations to improve tax administration and to strengthen controls over IRS programs and operations. The OA works with the Office of the Deputy Inspector General for Investigations, as appropriate, in response to allegations of misconduct, fraud, waste, and abuse. The OA may also conduct management and program evaluations focused on issues of concern to the IRS, the Department of the Treasury, the Congress, and the general public.

10.3   Legislative Authority and Responsibility Relating to the Office of Audit.
The OA conducts audits of IRS programs and operations in accordance with various statutory authorities and standards. Statutory authorities that relate to the Treasury Inspector General for Tax Administration (TIGTA) are included in **Chapter (200)-10.5**. Excerpts of these authorities that relate to the OA include:

- **Inspector General Act of 1978, 5 U.S.C. app. 3** (as amended). This Act requires Inspector Generals (IG) to conduct, supervise, and coordinate all audits and investigations relating to the agencies' programs and operations and to keep the Congress and the heads of agencies informed about problems and remedies in the administration of these programs and operations.

- **The Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98), Pub. L. No. 105-206, 112 Stat. 685 (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.)**. In addition to establishing the TIGTA, the RRA 98 established specific mandatory review and reporting requirements for the TIGTA. These requirements are described in detail in **Section (300)-40**.

- **Chief Financial Officers Act of 1990, Pub. L. No. 101-576, 104 Stat. 2838 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 42 U.S.C.).** The Chief Financial Officers Act of 1990 (CFO) placed responsibility on the IGs to audit or arrange for audits of all agency financial statements prepared in accordance with the Act.

  With the passage of this Act, the IRS was required to submit to the Department of the Treasury each year, beginning in Fiscal Year 1996, audited annual financial statements covering all accounts and associated activities of the agency. The Government Accountability Office (GAO) is currently responsible for the financial statement audit of the IRS.

- **Government Management Reform Act of 1994, Pub. L. No. 103-356, 108 Stat. 3410**. This Act amended the CFO Act to expand the requirements for audited financial statements to all 24 CFO agencies. The Act also established that the Director of the Office of Management and Budget (OMB) is to identify components of executive agencies that should have audited financial statements. The IRS is identified as one such component in OMB Bulletin 98-08, Appendix B.

  Also, the Act piloted a program within the Department of the Treasury (including the IRS) in which the Department's annual Accountability Reports would include, among other items, the financial statements, auditor's report, Government

Performance and Results Act of 1993 (GPRA) data, Federal Financial Management Improvement Act assurance, and Federal Managers' Financial Integrity Act assurance.

- **Clinger-Cohen Act of 1996 (Federal Acquisition Reform Act of 1996) (Information Technology Management Reform Act of 1996), Pub. L. No. 104-106, 110 Stat. 642 (codified in scattered sections of 5 U.S.C., 5 U.S.C. app., 10 U.S.C., 15 U.S.C., 16 U.S.C., 18 U.S.C., 22 U.S.C., 28 U.S.C., 29 U.S.C., 31 U.S.C., 38 U.S.C., 40 U.S.C., 41 U.S.C., 42 U.S.C., 44 U.S.C., 49 U.S.C., 50 U.S.C.).** The Clinger-Cohen Act requires affected Federal agencies to designate a Chief Information Officer and to put in place systems for effectively applying performance and results-based management principles to the development, acquisition, and maintenance of information technology systems. Also, the RRA 98 requires the TIGTA to evaluate the adequacy and security of IRS technology on an ongoing basis. Reviews will be performed to assess the IRS's progress in implementing the Modernization Blueprint and to evaluate Information Technology Services' success in meeting the business needs of operational functions.

- **Federal Financial Management Improvement Act of 1996, Pub. L. No. 104-208, 110 Stat. 3009.** The Act requires that each Federal agency implement and maintain financial management systems that comply with uniform Federal accounting standards.

- **Government Performance and Results Act of 1993, Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).** The GPRA (or Results Act) requires affected Federal agencies to improve Federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction. It requires that agencies develop and implement plans for identifying program objectives and measuring program results. The TIGTA will help the IRS by evaluating its efforts in establishing new measures and adhering to GPRA requirements.

- **Federal Managers' Financial Integrity Act of 1982, 31 U.S.C. §§ 1105, 1113, 3512.** This Act amends the Accounting and Auditing Act of 1950 and requires each executive Federal agency to establish and maintain internal accounting and administrative controls in accordance with standards prescribed by the Comptroller General of the United States.

- **Office of Management and Budget Circular A-123, revised December 2004.** This Office of Management and Budget (OMB) circular implements the

requirements of the Federal Managers' Financial Integrity Act of 1982 by incorporating the Act's requirements, the OMB management control guidelines, and the Comptroller General's internal control standards. Circular A-123 requires agencies to establish a system to review management controls and annually report to the President and the Congress on their condition.

- **Treasury Order 115-01, Office of the Treasury Inspector General for Tax Administration (February 14, 2013**). *Treasury Order 115-01* establishes that the TIGTA shall exercise all duties and responsibilities of an IG with respect to the Department of the Treasury and the Secretary of the Treasury on all matters relating to the IRS.

10.3.1   Government Auditing Standards. The IG Act requires all audits of Federal programs and operations to be in compliance with the auditing standards established by the Comptroller General of the United States. The July 2018 *Government Auditing Standards* (GAO-18-568G) (GAGAS), issued by the Comptroller General of the United States, contains such standards for audits and attestation engagements of government organizations, programs, activities, and functions and of government funds received by contractors, nonprofit organizations, and other non-government organizations. These standards, which are sometimes referred to as the Government Accountability Office's "Yellow Book" standards, are to be followed by both government and non-government auditors when conducting government audits.

10.3.2   Office of Management and Budget Circular A-50. The OMB Circular A-50, *Audit Follow-Up*, requires that agency officials and auditors reach agreement on the course of action to be taken on audit recommendations within six months of report issuance. The circular also mandates that each agency will establish a system to ensure prompt and proper management decisions on the implementation of audit recommendations.

10.4   Office of Audit's Input to the Treasury Inspector General for Tax Administration's Strategic Plan and Performance Measures.
TIGTA's Strategic Plan and Performance Measures are discussed in detail in Chapter (600)-60 of the TIGTA Manual. The web provides input into the development of the TIGTA's:

- Strategic Plan, which is a five-year plan that must be updated at least every three years.

- Annual performance goals and measures.

- Annual budget submissions. The OA identifies new audit initiatives that require additional funding.

The OA provides input on progress toward meeting GPRA performance goals and workload indicators for the monthly TIGTA Performance Report. Each month, the Office of Management and Policy extracts data from the TeamMate+ TeamInsights Reports and identifies quantifiable measures from the Project Profile and Audit Plan Monitoring Grid documents that affect tax administration, to measure achievement of established performance goals. This input is provided to the TIGTA's Office of Mission Support (OMS), which incorporates the data into the Interim and Annual Performance Reports to Treasury. This information is also distributed monthly to TIGTA executives for internal monitoring purposes.

The OA's input on performance measures includes measures that quantify the value or impact of audit products and services on tax administration and business operations. These outcome measures demonstrate the degree to which IRS management's corrective actions will alleviate reported conditions by either improving operations or preventing an adverse impact. Auditors should quantify these measures to the maximum extent possible in monetary or other measurable units, such as the number of taxpayer accounts affected, hours spent in performing an activity, or units of production. Specific guidance on the identifying and reporting of audit outcome measures is contained in **Section (300)-60.16** and **Section (300)-90.25**.

The OA also identifies measures that evaluate the efficiency, effectiveness, economy, and quality of the audit program and its processes. These measures represent internal cost and managerial accounting features of the audit process. These measures are also a tool used to determine if resources are properly directed toward meeting the OA mission. When a measure is not achieved, the OA will determine what corrective action must be taken to improve performance. If a given measure does not accurately portray the OA's efforts, the measure will be redesigned or replaced with a better measure. Examples include the number of final reports issued, calendar and staff day expenditures, and the return on the investment made in budget and staff.

See **Exhibit (300)-10.1** for a chart that lists examples of the OA's performance measures.

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Exhibit (300)-10.1
Examples of Office of Audit's Performance Measures

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Performance Measure
Potential monetary benefits (*e.g.*, cost savings - questioned costs and funds put to better use, increased revenue/revenue protection) from corrective actions to audit recommendations.
Number of taxpaying entities affected by audit recommendations that protect rights and entitlements, reduce burden to taxpayers, or improve privacy and security.
Taxpayer burden - reduction of burden hours.
Number of final reports issued.
Average staff days to issue final report.
Average calendar days to issue final report.
Percentage of audits meeting planned staff days.
Percentage of audits meeting planned draft due date.
Percentage of final reports with quantifiable outcomes.
Percentage of final reports with cost savings.
Percentage of past recommendations implemented by the IRS.
Return on investment: dollars returned per auditor (full-time equivalent).*
Return on investment: dollars returned per budget dollar.*

*These measures are calculated by the OMS.

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(300)-20   **Nature of System**

20.1   Overview.
The Treasury Inspector General for Tax Administration (TIGTA) Manual Document System is described in **Chapter (100)-70** of the TIGTA Operations Manual.

This chapter represents the background, policies, and procedures for the TIGTA Office of Audit (OA).

20.2   Deputy Inspector General for Audit Memoranda.
Deputy Inspector General for Audit (DIGA) memoranda may be used to issue procedural instructions or changes to procedures in Chapter (300) of the TIGTA Operations Manual (Audit Manual). These memoranda may also be used to issue non-procedural instructions (*e.g.*, training instructions) or reading only type information (*e.g.*, documents regarding Internal Revenue Service activities, Government Accountability Office activity, etc.). All DIGA memoranda, whether procedural or informational in nature, will be placed on the TIGTA Intranet website on the Internal Management Document System webpage. Auditors must access these memoranda when conducting research for current OA procedures.

20.3   Maintaining the Audit Manual.
The Office of Management and Policy (OMP) is responsible for maintaining the Audit Manual and controlling the DIGA memorandum process.

The Audit Manual will be updated quarterly by the OMP. This will include incorporating into the Manual all "procedural type" DIGA memoranda that were issued during the quarter.

20.4   Deputy Inspector General for Audit Work Control System.
The DIGA's Staff Assistant (SA) will establish and maintain control (*i.e.*, maintain control log, assign control numbers, monitor due dates, conduct follow-ups, and maintain extension requests) over the most significant OA assignments in accordance with instructions provided by the DIGA's office. This control will be established by using the Assignment Control Log for the DIGA on the Treasury Control Management System (TCMS) or other system designated for such purposes. This log will not be used to control audit calendar items since audit offices should establish their own control over these items. The DIGA's SA will, however, continue to follow up on those items not received by the due date. If the IG's office initiates a control item, that office will enter this on the TCMS.

The DIGA's SA, unless there is an externally imposed due date (*e.g.*, Inspector General's (IG) office or other functions), will authorize one extension (not to exceed 10

workdays), if requested timely, to the original assignment due date when circumstances warrant such an extension. All requests for an extension exceeding 10 workdays and a request for extension made after the due date can be granted only by the DIGA. The circumstances requiring an extension will be reduced to writing (*i.e.*, buckslip or memorandum) and forwarded to the DIGA's SA on the date the extension is requested.

If it is determined that the due date for externally imposed due dates (*e.g.*, due dates controlled by the IG's office) cannot be met, the office responsible for the assignment will contact the initiator (*e.g.*, the IG's office) and request an extension. The IG's office will note this on the TCMS. The extended due date must be communicated to the DIGA's SA. The file must be documented as to why the due date was not attained, when the initiator was contacted and by whom, and who extended the due date.

All assignments submitted for the DIGA's review must go through the DIGA's SA. Upon receipt of assignments, the SA will:

- Complete the information required to be entered on the Assignment Control Log. This includes annotating the columns titled "Date Closed" and "Late" for those assignments that are not completed by the original or extended due date.

- Review each untimely assignment to assure that the required explanation for not meeting the due date is present. If the explanation is not present, the assigned manager will be contacted to obtain the required explanation.

- Place the explanation on top of the assignment for review by the DIGA.

Whenever revisions are required, the DIGA will document the changes in the file and give the file to the DIGA's SA, who will return it to the originating office for revision. Before returning the file, the DIGA's SA will note the Assignment Control Log with the new due date. NOTE: If a file is returned for revision during discussion with the DIGA, it is the responsibility of the assigned manager to advise the DIGA's SA of the new control dates.

When a file is completed, the DIGA's SA will close the item from the Assignment Control Log. For externally controlled due dates, the originating office will close the item on the TCMS.

CHAPTER 300 – AUDITING

(300)-30   **Responsibilities**

30.1   Management Responsibilities.
The responsibilities in this section are high-level expectations of the various management positions in the Office of Audit (OA). Specific responsibilities such as approval of audit plans, approval of audit reports, assignment of audits, *etc.,* are located in the appropriate section of Chapter (300) dealing with that particular issue.

30.1.1   Deputy Inspector General for Audit. The Deputy Inspector General for Audit (DIGA) reports to the Treasury Inspector General for Tax Administration (TIGTA) and is responsible for:

- Planning and overseeing an audit program that provides for independent reviews and appraisals of the operations of the Internal Revenue Service (IRS) and related entities.

- Planning and executing a continuous quality assurance program.

- Formulating and maintaining audit policies, procedures, and program guidelines; developing and maintaining the audit management information system; and producing management information reports for use by TIGTA managers.

- Developing and maintaining the professional skills of audit personnel.

- Supervising the Assistant Inspectors General for Audit (AIGA).

30.1.2   Assistant Inspectors General for Audit. The AIGAs report to the DIGA and are responsible for providing executive leadership and direction for evaluating the vulnerability of the IRS and related entity activities and for conducting reviews that are sufficient in scope to provide a basis for constructive management action by responsible officials. They supervise Directors. Four AIGAs are responsible for reviews of the IRS's organizational program areas. One AIGA is responsible for OA planning and oversight.

- **Assistant Inspector General for Audit – Security and Information Technology Services.**
  Areas Covered: Systems Development, Systems Security, Systems Operations, Cyber Security, Office of Privacy and Data Security, Disaster Recovery/Business Continuity, Applications Development, Enterprise Services and Enterprise Operations/Networks, Business Systems Planning, and End User Equipment and Services.

- **Assistant Inspector General for Audit – Management Services and Exempt Organizations.**
  Areas Covered: Acquisitions and Procurement, Facilities Management and Security Services, Tax Exempt and Government Entities, Retirement Plan Compliance, Human Capital, Taxpayer Experience Office, Customer Service (Walk-In, Toll-Free Phone Lines), Chief Financial Officer, Chief Counsel, Appeals, Taxpayer Advocate, Equity, Diversity and Inclusion, Chief Risk Officer, and Research, Applied Analytics, and Statistics.

- **Assistant Inspector General for Audit – Returns Processing and Account Services.**
  Areas Covered: Tax Processing Centers – Customer Account Services Functional Areas (*i.e.*, Submission Processing, Accounts Management), Electronic Products and Services Support, Return Integrity and Compliance Services, Volunteer Income Tax Assistance Programs, and Media and Publications.

- **Assistant Inspector General for Audit – Compliance and Enforcement Operations.**
  Areas Covered: Payment Compliance, Reporting Compliance, Enforcement, Compliance Support, Criminal Investigation (except QRP), Examination, International, Collection, Tax Gap, Automated Collection System (ACS)/Integrated Collection System (ICS)/Automated Underreporter Program (AUR), Campus Compliance, Offers in Compromise (OIC), Installment Agreements, Office of Professional Responsibility, Tax Practitioners (Shelters and Schemes), and International issues.

- **Assistant Inspector General for Audit – Management Planning and Workforce Development.**
  Areas Covered: Provides assistance to the OA organization in the areas of strategic and annual planning; quality assurance and oversight; recruiting, training, and developmental activities; performance budgeting; integrity, and anti-fraud policy oversight; oversight of statistical services, advanced data analytics; data extracts and transfers; data-needs research, support, coordination, and liaison.

  Applied Research and Technology (ART) provides analytical, technical, and specialist expertise across TIGTA. ART performs advanced data analysis, visual analytics, text mining, predictive modeling, and other analytic support to identify emerging risks for strategic planning and the oversight process, and to identify potential audit or investigative leads and vulnerabilities of internal controls. ART also oversees statistical services.

30.1.3 <u>Directors</u>. Directors report to the AIGAs and are responsible for planning and executing the audit program within the four organizational program areas. They supervise Audit Managers.

30.1.4 <u>Audit Managers</u>. Audit Managers report to the Directors and are the front-line managers responsible for the day-to-day supervision of individual audit assignments and the development of their subordinates.

30.2 <u>Policy on Independence and Scope Impairments</u>.
If TIGTA is to be effective, it must be independent and its opinions, conclusions, judgments, and recommendations must be viewed as being impartial by knowledgeable third parties. This document sets forth policies and procedures relative to independence and scope impairments.

The policies and procedures on independence and scope impairments are based on the following standards:

- The generally accepted ***Government Auditing Standards*** *(GAGAS)*, July 2018 (GAO-18-568G), paragraphs 3.17 through 3.108.

- The ***Quality Standards for Inspection and Evaluation*** (QSI), January 2012, from the Council of the Inspectors General for Integrity and Efficiency (CIGIE). (See **Exhibit (300)-30.1**, Quality Standards for Inspection and Evaluation).

In accordance with the GAGAS and CIGIE's QSI, all auditors, Audit Managers, Directors, AIGAs, and the DIGA involved in performing or supervising any audit assignment must:

- Be free from personal, external, or organizational impairments to their independence.

- Consistently maintain an independent attitude and appearance.

- Strive to avoid situations that lead outsiders to doubt their independence.

The QSI describes three classes of impairments to independence: personal, external, and organizational. These impairments must be considered by auditors in deciding whether their ability to perform impartially is adversely affected. See **Exhibit (300)-30.1**, for the standard on independence.

GAGAS also establishes a conceptual framework that auditors use to identify, evaluate, and apply safeguards to address threats to independence. The conceptual framework assists auditors in maintaining both independence of mind and independence in

appearance. It can be applied to many variations in circumstances that create threats to independence and allows auditors to address threats to independence that result from activities that are not specifically prohibited by the GAGAS.

GAGAS provides examples of threats to independence in paragraphs 3.38-3.44.

30.2.1   Threats and Safeguards to Independence. Threats to independence may be created by a wide range of relationships and circumstances. Whether independence is impaired depends on the nature of the threat, whether the threat is of such significance that it would compromise an auditor's professional judgment or create the appearance that the auditor's integrity, objectivity, or professional skepticism may be compromised, and the specific safeguards applied to eliminate the threat or reduce it to an acceptable level. GAGAS paragraph 3.30 describes these threats. GAGAS paragraphs 3.50 through 3.69 describe safeguards for these threats. TIGTA management personnel responsible for scheduling audits must avoid the assignment of staff members to audits where there is an indication that the individuals have a personal impairment. Supervisors need to be alert to personal impairments to the independence of their staff members. **Exhibit (300)-30.1**, QSI section for the standard on personal impairments provides examples of personal impairments.

Annually, each professional staff member, GS-15 and below, must acknowledge understanding his or her obligation to be free from personal impairment to his or her auditor independence. Each professional staff member must document his or her acknowledgement to report a current or future independence impediment by completing the **OA Personal Impairment Form**. A new form is to be completed at the same time the auditor signs his or her annual TIGTA Performance Appraisal-Auditor (Form 430 Aud) acknowledgment form.

By November 15th of each fiscal year, managers should provide completed OA Personal Impairment Forms for their employees to their respective Business Unit Staff Advisor. The Staff Advisor will upload the forms to the OA's Continuing Professional Education Documentation SharePoint site where they will be filed by employee name and saved for five years. These forms will be maintained as supporting documentation for Peer Review teams. Beginning with Fiscal Year 2011, the OA no longer maintain these Forms in Employee Performance or Drop files. Forms for Fiscal Years 2006 through 2010 will continue to be maintained in accordance with guidance in TIGTA Operations Manual **Section (600)-70.21.4**.

For financial statement audits, the AIGA (Management Services and Exempt Organizations) must also complete the Auditor Personal Impairment Certification form.

Staff members are responsible for notifying their Audit Manager of any personal impairment to independence that develops during the year. Audit Managers are responsible for taking appropriate corrective action when there is impairment to auditor

independence on an audit. This includes documenting the independence threat identified and the actions taken to eliminate it or reduce it to an acceptable level. Appropriate corrective action includes, but is not limited to, the following:

- If the circumstances indicate that the impairment is of recent development and not foreseeable, the staff member should be reassigned.

- If the circumstances indicate that the impairment was preexisting and not revealed, or developed subsequent to the assignment and was not brought to the attention of the Audit Manager, the staff member should be reassigned and appropriate disciplinary action considered.

- In either case, any audit work completed by the staff member up to the time of the reassignment should be thoroughly reviewed for evidence of bias or other improprieties. If these are found, another staff member should repeat the audit work, if possible. If repeating the work is not possible, the impairment should be disclosed in the final report.

If a threat to independence is identified after the final report is issued and posted to the TIGTA publicly accessible website, the audit team should evaluate the threat's impact on the audit and on GAGAS compliance. If the audit team determines that the threat has an impact on the audit and the final report's conclusions may have been impacted if the threat was known at the beginning of the audit, the final report will be updated as appropriate. The report will then be re-issued to the proper officials and the corrected report will be reposted to the TIGTA publicly accessible website.

30.2.2   Organizational Threats to Independence. Organizational threats to independence involve the location of the audit/function within the organizational structure of the government entity. Organizational independence is described in GAGAS paragraphs 3.52 through 3.55. TIGTA's organizational independence is provided by the Inspector General Act of 1978, as amended by the IRS Restructuring and Reform Act of 1998 (RRA 98).

30.2.3   Policy on Scope Impairments. Scope impairments are factors external to the organization that can restrict a staff member's ability to render objective opinions and conclusions. (Refer to **Exhibit (300)-30.1**, for examples of scope impairments.) When these factors are present, staff members should attempt to remove the restrictions or, failing that, report the limitation to the DIGA through the respective AIGA.

30.3   Confidentiality.
The OA must also ensure privileged or confidential information gathered by TIGTA will be protected from disclosure, unless TIGTA determines that such disclosure is necessary to further the purpose of an audit, investigation, or other inquiry as required

by law. In addition, confidential sources who make complaints or provide information to TIGTA will not have their identities disclosed without their consent, unless TIGTA determines that such disclosure is unavoidable for the purposes of an investigation. The CIGIE has adopted the standard on confidentiality:

Confidentiality, as appropriate, should be afforded to sources of information consistent with the Inspector General Act of 1978, as amended; the internal policies of each OIG; and other applicable laws and statutes. The Inspector General Act of 1978, as amended, states that the Inspector General shall not, without the consent of the employee or unless the Inspector General determines that such a disclosure is unavoidable, disclose the identity of a the employee providing a complaint or information concerning the possible violation of law, rules, or regulations; mismanagement; waste of funds; abuse of authority; or a substantial and specific danger to public health or safety.

The OIGs should develop and implement procedures for maintaining the confidentiality of individuals providing information. Inspectors General must carefully monitor their actions and words to not inappropriately reveal the source of information.

- Appropriate safeguards should be provided for sensitive information, such as personal and proprietary data, as well as classified information. Inspectors General should ensure they have appropriate procedures for handling such information.

Tax returns and tax return information must be kept confidential as required by 26 U.S.C. § 6103. Such information may be shared within TIGTA only in accordance with 26 U.S.C. § 6103(h)(1) if there is an official need to know such information for a tax administration purpose.

Many of the facts gathered by TIGTA come from employees or other individuals who may be harassed if it was known they were cooperating. Much of the information may be personal or of a proprietary nature. Therefore, it is essential that the identities of confidential sources and all information gathered during an audit, investigation, or other work be safeguarded from disclosure.

The Congress has provided specific authority for withholding the identities of employees who make complaints to TIGTA. Under the Inspector General Act of 1978, the identities of such employees may not be released without their consent, unless TIGTA determines disclosure is unavoidable during the course of an investigation. See the Chief Counsel's office **Chapter (700)-40,** Confidentiality of Information Received Under the IG Act.

Exhibit (300)-30.1
Quality Standards for Inspection and Evaluation Excerpts[1]

INDEPENDENCE

The independence standard for inspection work is:

> *In all matters relating to inspection work, the inspection organization and each individual inspector should be free both in fact and appearance from personal, external, and organizational impairments to independence.*

Inspectors and inspection organizations have a responsibility to maintain independence so that opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by knowledgeable third parties. The independence standard should be applied to anyone in the organization who may directly influence the outcome of an inspection and includes both Government and private persons performing inspection work for an Office of Inspector General (OIG).

Inspection organizations and inspectors should be alert to possible impairments to independence and should avoid situations that could lead reasonable third parties with knowledge of the relevant facts and circumstances to conclude that the inspection organization or inspectors are not independent and, thus, are not capable of exercising objective and impartial judgment in conducting and reporting on an inspection. Impairments to independence, either in fact or appearance, need to be resolved in a timely manner. The actions of OIG staff should adhere to the "Standards for Ethical Conduct for Employees of the Executive Branch" and Federal conflict of interest laws. Inspection organizations should have internal policies and procedures for reporting and resolving real or perceived impairments to independence.

Inspection organizations that provide other professional services should consider whether providing these services creates an independence impairment either in fact or appearance that adversely affects their independence for conducting inspections. Inspection organizations should not: (1) provide noninspection services that involve performing management functions or making management decisions and (2) inspect their own work or provide noninspection services in situations where the noninspection services are significant/material to the subject matter of inspections. Inspection organizations that provide other professional services should refer to "Government Auditing Standards" issued by the United States Government Accountability Office, which, although specific to audit, provides detailed guidance relevant to handling the provision of such services.

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[1] The Council of the Inspectors General on Integrity and Efficiency replaced the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

<u>**Exhibit (300)-30.1**</u>
<u>Quality Standards for Inspection and Evaluation Excerpts</u>

Inspection organizations and inspectors need to consider three general types of impairments to independence-personal, external, and organizational. If one or more of these impairments affect an inspection organization's or an inspector's capability to perform work and report results impartially, that organization or inspector should either decline to perform the work or, if the situation necessitates that the work cannot be declined, the impairment(s) should be reported in the scope section of the inspection report.

Personal Impairments

Personal impairments of staff members result from relationships and beliefs that might cause inspectors to limit the extent of an inquiry, limit disclosure, or weaken or slant inspection findings in any way. Inspectors are responsible for notifying the appropriate officials within their respective inspection organizations if they have any personal impairment to independence. It is impossible to identify every situation that could result in a personal impairment, but the following are examples of personal impairments:

- Having an immediate or close family member who is a director or officer of the entity being inspected or is in a position with the entity to exert direct and significant influence over the entity or the program being inspected. Immediate or close family members include spouses, domestic partners, dependents (whether or not related), parents, siblings, and nondependent children.
- Having direct or significant/material indirect financial interest in the entity or program being inspected.
- Having responsibility for managing an entity or decisionmaking that could affect operations of the entity or program being inspected; for example, as a director, officer, or other senior member of the entity, activity, or program being inspected or as a member of management in any decisionmaking supervisory, or ongoing monitoring function for the entity, activity, or program under inspection.
- Having involvement with the preparation, maintenance, or authorization of official records/documents associated with the entity, activity, or program under inspection.
- Having preconceived ideas toward individuals, groups, organizations, or objectives of a particular program that could bias the inspection.
- Having biases, including those induced by political, ideological, or social convictions, that result from employment in or loyalty to a particular type of policy, group, organization, or level of government.
- Seeking employment with an inspected organization during the conduct of the inspection.

<u>**Exhibit (300)-30.1**</u>
<u>Quality Standards for Inspection and Evaluation Excerpts</u>

<u>**External Impairments**</u>

Factors external to the OIG can restrict work or interfere with the inspector's ability to form independent and objective opinions and conclusions. External impairments to independence occur when inspectors are deterred from acting objectively and exercising professional skepticism by pressures, actual or perceived, from management or employees of the inspected entity or oversight organizations. For example, if any of the following conditions exist, the OIG would not have complete freedom to make an independent and objective judgment which could adversely affect the work:

- External interference or influence that could improperly or imprudently limit or modify the scope an inspection or threaten to do so, including pressure to reduce inappropriately the extent of work performed in order to reduce costs or fees.
- External interference with the selection or application of inspection procedures or in the selection of transactions to be examined.
- Unreasonable restrictions on the time allowed to complete an inspection or issue a report.
- External interference in the assignment, appointment, or promotion of inspection personnel.
- Restrictions on funds or other resources provided to the inspection organization that adversely affect the inspection organization's ability to carry out its responsibilities.
- Authority to inappropriately overrule or influence an inspector's judgment as to the appropriate content of the report.
- Threat of replacement over a disagreement with the contents of an inspection report, an inspector's conclusions, or the application of criteria.
- Influences that jeopardize an inspector's continued employment for reasons other than incompetence, misconduct, or the need for inspection services.

When external factors restrict an inspection or interfere with an inspector's ability to form objective opinions and conclusions and the inspector cannot remove the limitation, the inspector should report the limitation in accordance with the respective OIG's internal policies and procedures.

Exhibit (300)-30.1
Quality Standards for Inspection and Evaluation Excerpts

Organizational Impairments

Inspection organizations need to be free from organizational impairments to independence. An organization's ability to perform work and report the results impartially can be affected by its place within a Department/Agency and the structure of the Department/Agency. Inspection organizations within OIGs established by the Inspector General Act of 1978, as amended, derive organizational independence from the statutory safeguards to independence established by the Act.

However, if an inspector believes there is an organizational impairment that could affect his or her inspection, he or she should report the matter in accordance with the respective OIG's internal policies and procedures.

CHAPTER 300 – AUDITING

(300)-40   Audit Products and Services

40.1 <u>Overview</u>.
The Treasury Inspector General for Tax Administration (TIGTA) is required to conduct, supervise, and coordinate all audits and investigations relating to the Internal Revenue Service's (IRS) programs and operations and to keep the Congress, the Secretary of the Treasury, and the IRS Commissioner informed about problems and remedies in the administration of IRS programs and operations. The TIGTA policy is to conduct audits of IRS programs and operations in accordance with various statutory requirements and standards. These statutory requirements and standards appear in **Section (300)-10** of this manual.

The IRS Restructuring and Reform Act of 1998 (RRA 98) also established specific mandatory review and reporting requirements for the TIGTA, as follows:

- *Use of Enforcement Statistics* – The TIGTA shall include in one of the semiannual reports (*i.e.*, annually) an evaluation of the compliance of the IRS with restrictions under RRA 98 § 1204 on the use of enforcement statistics to evaluate IRS employees.

- *Direct Contact with Taxpayers in Lieu of Representatives* – The TIGTA shall include in one of the semiannual reports (*i.e.*, annually) an evaluation of the compliance of the IRS with restrictions under Internal Revenue Code (I.R.C.) § 7521(b)(2) regarding directly contacting taxpayers who have indicated that they prefer their representatives be contacted.

- *Taxpayer Designations* – The TIGTA shall include in one of the semiannual reports (*i.e.*, annually) an evaluation of the compliance of the IRS with restrictions under RRA 98 § 3707 on designation of taxpayers.

- *Filing of a Notice of Lien* – The TIGTA shall include in one of the semiannual reports (*i.e.*, annually) an evaluation of the compliance of the IRS with required procedures under I.R.C. § 6320.

- *Seizures and Levies* – The TIGTA shall include in one of the semiannual reports (*i.e.*, annually) an evaluation of the compliance of the IRS with required procedures under subchapter D of chapter 64 for seizure of property for collection of taxes, including procedures under I.R.C. § 6330 regarding levies. The TIGTA has divided this area into two reviews: seizures and levies.

- *Disclosure of Collection Activities with Respect to Joint Returns* – The TIGTA shall include in one of the semiannual reports (*i.e.*, annually) a review and certification of whether the Secretary is complying with the requirements of I.R.C. § 6103(e)(8) to disclose information to an individual filing a joint return on collection activity involving the other individual filing the return.

- *Extensions of Statute of Limitations* – The TIGTA shall include in one of the semiannual reports (*i.e.*, annually) information regarding extensions of the statute of limitations for assessment of tax under I.R.C. § 6501 and the provision of notice to taxpayers regarding requests for such extensions.

- *Employee Misconduct and Employee Terminations and Mitigations* – The TIGTA shall include in each semiannual report the following information:

    - The number of taxpayer complaints during the reporting period.

    - The number of "serious" employee misconduct and taxpayer abuse allegations received by the IRS or the TIGTA during the period from taxpayers, IRS employees, and other sources.

    - A summary of the status of such complaints and allegations.

    - A summary of the disposition of such complaints and allegations, including the outcome of any Department of Justice action and any monies paid as a settlement of such complaints and allegations.

    Additionally, the TIGTA must include in the annual report any termination or mitigation under RRA 98 § 1203.

- *Denial of Requests for Information on the Basis of the Freedom of Information Act or I.R.C. § 6103* - The TIGTA shall conduct periodic audits of a statistically valid sample of the total number of determinations made by the IRS to deny written requests to disclose information on the basis of the Denial of Requests for Information on the Basis of the Freedom of Information Act or I.R.C. § 6103. The TIGTA shall include in one of the semiannual reports (*i.e.*, annually) information regarding the improper denial of requests for information from the IRS identified during these periodic audits.

- *Fair Debt Collection Provision* – The TIGTA shall include in one of the semiannual reports (*i.e.*, annually) information regarding any administrative or civil actions with respect to violations of the fair debt collection provisions of I.R.C. § 6304, including a summary of:

▪ Such actions initiated since the date of the last report.

▪ Any judgments or awards granted as a result of such actions.

- *Adequacy and Security of IRS Technology* – The TIGTA must provide an evaluation (*i.e.*, annually) of IRS technology as to whether it is adequate and secure.

Audits of these areas will be assigned to audit teams who will be responsible for conducting tests, issuing reports, and preparing input for the semiannual report.

40.2   Audit Products and Services.
The Office of Audit (OA) conducts comprehensive, independent audits and other reviews to provide oversight and to improve tax administration. It provides many types of products and services, such as performance audits, financial audits, attestation engagements, follow-up audits, and integrity projects. Performance audits may include program audits, economy and efficiency audits, and information technology audits. Additionally, the Office of Audit Integrity Program (see **Section (300)-70** for more information) includes the completion of integrity projects, audit tests designed to identify fraud, waste, and abuse, assistance to TIGTA's Office of Investigations (OI), and deterrence presentations.

The OA may also conduct or support reviews of non-IRS programs if specifically requested by another Inspector General Office, depending on the availability of resources.

40.3   Performance Audits.
Performance audits include program, economy and efficiency, and information technology audits. These reviews are conducted to evaluate internal controls and to satisfy one or more of the following objectives:

- Program objectives are proper, suitable, and relevant to the IRS mission.

- Desired results or benefits established for an IRS program are achieved.

- Management systems for measuring effectiveness are adequate.

- Programs, activities, or functions are managed effectively.

- The entity has complied with significant laws and regulations applicable to the program.

- The entity is acquiring, protecting, and using its resources economically and efficiently.

- Individual programs complement, and do not duplicate, overlap, or conflict with other related programs.

- Any factors that are inhibiting satisfactory performance are identified.

- Management considers alternatives that might yield results at lower costs.

- Taxpayer rights are protected.

- Evidence of fraud, waste, and abuse is not identified.

Each performance audit is normally conducted in an appropriate number of offices to ensure audit results represent a complete and comprehensive analysis of the particular program under review. The objectives of the review are determined by the macro and micro risk assessment process.

40.4 <u>Information Technology Audits</u>.
Various oversight groups have repeatedly raised issues regarding the difficulties the IRS has experienced in modernizing its information systems. Critical information systems programs are vulnerable to schedule delays, cost over-runs, and failure to meet mission goals.

The RRA 98 requires the TIGTA to evaluate the adequacy and security of the IRS's technology on an ongoing basis.

To accomplish this requirement, the OA conducts a series of information technology audits of various IRS systems. An information technology audit, or information systems audit, is an examination of the management controls within an Information technology (IT) infrastructure. The evaluation of obtained evidence determines if the information systems are safeguarding assets, maintaining data integrity, and operating effectively to achieve the organization's goals or objectives. The OA will focus reviews on significant information technology topics including, but not limited to, the following areas:

- Developing and Monitoring Information Systems Standards.

- Requirements Management.

- Information Systems Investment Decision Management.

- Systems Development.

- Change Control Management.

- Systems Software and Programming Maintenance.

- Information Systems Product Assurance.

- System Performance Management.

- Computer Room/Facility Management.

- Administration and Control of End-User Computing Resources.

- Effectiveness of the IRS's Privacy and Disclosure Program.

- IRS Management's Oversight of the Security Program.

- Systems Security Controls.

40.5   <u>Financial Audits</u>.
The RRA 98 established that the TIGTA shall audit and report on the custodial and administrative accounts of the IRS subject to 31 U.S.C. § 3521(g).

The Chief Financial Officers (CFO) Act of 1990, as amended, required that each financial statement prepared under 31 U.S.C. § 3515 by an agency shall be audited in accordance with applicable generally accepted government auditing standards. Audits will be conducted by the agency IG or by an independent external auditor as determined by the agency IG. Further, the Comptroller General (Government Accountability Office (GAO)) may conduct the audit through his or her own discretion or at the request of the Congress.

The Government Management Reform Act (GMRA) amended the CFO Act to expand the requirements for audited financial statements to all 24 CFO agencies. The Act also established that the Director of the Office of Management and Budget (OMB) identify components of executive agencies that should have audited financial statements. The IRS is identified as one such component in OMB Bulletin 98-08, Appendix B.

The Federal Financial Management Improvement Act of 1996 established that each audit of the financial statements shall report whether the agency financial management systems comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government

Standard General Ledger at the transaction level. The Act also established that each IG who prepares a financial statement report shall report to the Congress instances and reasons when an agency has not met the intermediate target dates established in the remedial plan for non-compliant financial management systems.

The extent of the OA's involvement in financial statement audits depends upon the role selected by the GAO and Treasury Inspector General, who have responsibility for the department–wide statements.

40.5.1   Financial Statement Audits. The TIGTA will audit the annual IRS financial statements, contract for audit services with an independent external auditor, or defer audit responsibilities to the GAO, if so opted by the Comptroller General.

If the financial statement audit is contracted with an independent external auditor, the TIGTA will designate representatives as Co-Contracting Officer's Technical Representatives, as well as necessary staff support, for overseeing that audit performance complies with the standards established by the Comptroller General as directed by the Inspector General Act of 1978.

If the Comptroller General exercises his or her option to audit the financial statements of the IRS, as provided in the CFO Act, the TIGTA will provide audit support as mutually agreed upon.

In addition to applicable laws, regulations, and departmental guidance, the TIGTA will conduct financial statement audits following the guidance and methodology as established by the following:

- Comptroller General of the United States, ***Government Auditing Standards*** (GAGAS), July 2018 ("Yellow Book")***.***

- OMB Bulletin 98-08, ***Audit Requirements for Federal Financial Statements***, or its successors.

- The President's Council on Integrity and Efficiency (PCIE)[1] and the GAO jointly issued an updated ***Financial Audit Manual*** in July 2008. The three volumes of this manual can be found on the IGnet website under ***Manuals &Guides***.

- American Institute of Certified Public Accountants standards of *fieldwork* and *reporting* as incorporated in their entirety in the GAGAS by reference.

The TIGTA will adhere to the risk-based methodology as defined in the Policy Manual.

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[1] The PCIE is now known as the Council of Inspectors General on Integrity and Efficiency.

40.6 Attestation Engagements.
An attestation engagement can provide one of three levels of service as defined by the American Institute of Certified Public Accountants (AICPA). These include an examination review, a review engagement, or an agreed-upon procedures engagement. If the level of service for an attestation engagement is not specified by legislation or other governing criteria, the auditors performing the engagement should determine which of the three levels of service apply to the engagement. Attestation engagements should be performed using the standards established by the AICPA and the guidance provided in GAGAS.

40.7 Follow-up Audits.
Follow-up audits provide an opportunity for the OA to assess the effectiveness of prior recommendations and the corrective actions of IRS management. The Joint Audit Management Enterprise System (JAMES) will be used to ensure that IRS management takes actions on audit recommendations. The OA's Office of Management and Policy is responsible for inputting report information into the JAMES.

IRS management is responsible for completing a plan for tracking and ensuring the effectiveness of corrective actions taken in response to an OA report. Since the OA does not have the resources to follow up on every audit, auditors will use this plan to identify any corrective actions needing follow-up. The appropriate Assistant Inspector General for Audit will periodically follow up to ensure that JAMES closing documents agree with the actions described in management's action plan.

The only other type of follow-up activity will be when outcomes could not be measured at the time of final report issuance and/or for highly significant issues. Auditors will make such recommendation at the conclusion of the audit. If a follow-up is recommended, the auditors will prepare a plan showing when follow-up action should be taken for each corrective action and what audit steps need to be taken.

See **Section (300)-90.18,** Preparing Joint Audit Management Enterprise System Corrective Action Forms, for more information on the use of JAMES documents.

40.8 Contract Oversight.
The RRA 98 and IG Act of 1978, as amended, require the TIGTA to conduct audits relating to programs and operations. The DIGA must coordinate with other Federal agencies relating to the audit activity of the agency. The role of the DIGA in contract auditing is to assist in achieving prudent contracting by:

- Promoting the economic, efficient, and effective administration of IRS contracting operations.

- Detecting and deterring fraud, waste, and abuse in IRS contract award and administration.

- Protecting the IRS against attempts to conspire or collude with IRS employees in the award and administration of contracts.

The contract audit responsibility includes audits of both the IRS's management of the procurement function and audits of contractors' performance. Audit responsibility for contractors has been established with the Defense Contract Audit Agency or cognizant audit organizations in other Federal agencies. The IRS contracts directly with Defense Contract Audit Agency to perform contract audit activities for contractors in which TIGTA is not the cognizant audit agency.

TIGTA auditors may provide technical assistance in contract audit matters during the course of a fraud investigation or inquiry.

Additional guidance related to contracts and grant agreements is included under GAGAS paragraphs 8.68-8.70. Auditors should design and perform procedures to obtain reasonable assurance of detecting instances of noncompliance with provisions of contracts or grant agreements that are significant within the context of the audit objectives.

40.9   Office of Audit's Responsibilities Concerning Foreign Intelligence Activities.
Treasury Order 115-01 requires the TIGTA, along with Treasury General Counsel, to the extent provided by law, to report to the President's Intelligence Oversight Board intelligence activities of the IRS and related entities where there is reason to believe the activities may be unlawful or contrary to Executive Order or Presidential Directive.

40.10   Professional Services Other Than Audits (Nonaudit Services).
Auditors have traditionally provided a range of nonaudit services that are consistent with their skills and expertise. Providing nonaudit services to audited entities may create threats to the independence of auditors or audit organizations. Before auditors agree to provide a nonaudit service to an audited entity, they should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS engagement they conduct. For more information on independence and nonaudit services, please see GAGAS paragraphs 3.64-3.106.

IRS management may periodically request that the OA provide technical assistance or advisory nonaudit services. Examples include IRS efforts to implement new operational processes, develop new control systems, or consider new program changes. Usually, these projects would not be designed to result in significant traditional audit or evaluation products. All requests of this nature should be communicated from the IRS Commissioner to the TIGTA for evaluation. Such requests may be undertaken when they will not affect the delivery of the annual audit plan and there is significant justification indicating the expertise and resources are not available from sources within the IRS.

IRS management may also ask that the OA's employees be included in task force activities. Again, these requests should come from the IRS Commissioner to TIGTA and will be filled based upon availability of resources and the need for such participation. IRS management must be made aware that such OA participation is advisory in nature and does not prevent the OA from conducting subsequent reviews.

IRS management may also ask for assistance to obtain computer extracts or perform data analysis. Likewise, requests must come from the IRS Commissioner to TIGTA and will be fulfilled based upon availability of staff, importance of the request, and ability of the IRS to perform the same task.

CHAPTER 300 – AUDITING

(300)-50   **Strategic Planning Process**

50.1   Overview.
The primary purpose of the Office of Audit's (OA) strategic planning process is to systematically establish audit priorities, identify, and select audits consistent with those priorities and to allocate the staff resources necessary to conduct the selected audits. The success of the audit planning process enables the Treasury Inspector General for Tax Administration (TIGTA) to provide the Secretary of the Treasury, Internal Revenue Service (IRS) executives, and other interested stakeholders with independent, useful, timely, and relevant information to significantly improve the effectiveness, efficiency, and integrity of tax administration.

Planning can be addressed at both macro and micro levels. **Macro planning** is executed through the strategic planning process and is designed to identify and prioritize workload for the organization by applying risk factors to key auditable areas. **Micro planning** is tied to planning an individual audit and includes all efforts employed to prepare auditors for conducting quality fieldwork. This section concentrates on the OA's macro planning process. A guide to assist in macro-level planning is provided each year in the DIGA memorandum regarding planning guidance.

This section provides examples of how the strategic planning process may be conducted. The Assistant Inspectors General for Audit (AIGA) are responsible for designing a strategic planning process for their respective program areas.

50.2   Strategic Planning Responsibilities.
Responsibility for the success of the strategic planning process rests at all levels within the OA organization. All levels of management are responsible for communicating the Major Management Challenge areas to the organization and to the appropriate IRS executive.

The Deputy Inspector General for Audit (DIGA) oversees the OA planning process, approves the Annual Plan, and coordinates any necessary coverage that crosses program lines.

Each AIGA oversees the strategic planning process for his or her program area. The AIGAs and their staff formulate the audit program by identifying Major Management Challenge areas and individual audits in critical tax administration areas as well as work related to identifying waste, fraud, and abuse and evaluating internal control systems. Also during fiscal year audit planning, the OA and Inspections and Evaluations (I&E) staffs will meet before finalizing their respective annual plans to discuss potential duplication, need for coordination, and any gaps that need coverage either by the OA or the I&E. In addition, the I&E Director and the OA Directors may meet at any time to

coordinate on individual projects and share knowledge and perspective about their respective reviews.

50.3   Determining Audit Coverage.

50.3.1   Annual Audit Plan. The Annual Audit Plan describes the OA audit responsibilities, audit focus, and audit direction for the fiscal year. The information provided includes the areas to be audited and the related audit objectives. The Annual Audit Plan begins with independent risk assessments. Under the leadership of the AIGAs, each business unit will develop a program of suggested audits for the business unit. Suggestions will be shared with the other AIGAs. This process is designed to prioritize areas based on the greatest risks to the IRS.

The annual allocation of staff resources is a significant decision in the audit planning process. It reflects the priority of our planned audit strategies and establishes the overall direction of our audit effort with respect to the IRS's major functions and program areas. The OA will catalog its data and resource needs for the suggested audits identified by the business units. Each business unit completes a spreadsheet to identify the various data and/or resources needed to complete specific audits. The purpose of identifying the data and/or resource needs is to ensure that the Data Extracts group has sufficient resources available to access IRS data and files needed by auditors to carry out audit objectives.

Audits included in the annual audit plan are designed to achieve the following outcomes:

- Increased Revenue/Revenue Protection.

- Cost Savings (Questioned Costs/Recommendations That Funds Be Put to Better Use).

- Taxpayer Rights and Entitlements.

- Reduction of Burden on Taxpayers.

- Taxpayer Privacy and Security.

- Protection of Resources.

- Inefficient Use of Resources.

- Reliability of Information.

To assist all levels of the OA organization with determining audit coverage and conducting risk assessments as part of the strategic planning process, the OA developed the Macro Audit Planning Information Tool (MAP-IT). MAP-IT allows OA users to access planning resources, determine audit responsibilities by OA business unit and directorate, view the IRS organizational structure, view human resources information about individual IRS offices, determine past audit coverage, and document risk assessments. Each AIGA develops audit justifications based upon the risk assessment process and staff days available.

The Office of Management and Policy (OMP) uses the audit justifications provided by the AIGAs to develop the OA Annual Audit Plan.

50.3.2   Universe of Potentially Auditable Areas. Each AIGA and his or her staff will identify the IRS offices and core processes that are the responsibility of his or her program area. MAP-IT reports can be used to generate a listing of IRS offices that are the responsibility of each OA Business Unit and directorate.

Audit coverage priority is determined for each AIGA's program by assessing the risks associated with the potential audit universe that apply to that program. Consideration is given to:

- High-risk and critical areas, such as programs involving large dollar amounts.

- Relative importance of auditable areas to the accomplishment of IRS goals and initiatives.

- Statutory and regulatory requirements.

- Amount of resources dedicated to a program.

- Specific requests for audit coverage.

- Adequacy of internal control systems, as determined by management reviews and assessments.

- New or changed conditions and sensitivity of organizations, programs, activities, and functions.

- Timeliness, reliability, and scope of reviews performed by external oversight functions, such as the Government Accountability Office (GAO).

- Prior audit experience with IRS functions.

50.3.3   Requests for Audit Coverage. Audits may be requested at any time by the Department of the Treasury, the Congress or the IRS Commissioner. All requests will be received by the Inspector General and forwarded to the DIGA for evaluation. The DIGA will assign to the appropriate AIGA, who will initially evaluate all requests to determine whether:

- The reason and purpose are clear.

- The issue or concern is already being addressed in another review.

- An audit is the best approach or whether a more limited inquiry may satisfy the request.

In most instances, requests from the Congress, the Department of the Treasury, or the IRS Commissioner will take precedence over planned or on-going high-risk reviews. Therefore, after the AIGA's initial evaluation of these requests, they will be assigned to the appropriate Directorates for review.

50.3.4   Acknowledging Requests for Audit Coverage. The DIGA will prepare memoranda for the Inspector General's signature acknowledging the requests for audit coverage and indicate which offices have received the assignments.

Based on the assignments, the assigned Directors may schedule meetings with the appropriate IRS personnel to discuss the requests and/or planned audit approaches. The meetings should be arranged through the Director, Office of Enterprise Audit Management.

A decision may be made to defer or decline a request for audit coverage. If this occurs, the acknowledgement will explain why a review will not be performed at this time. Any audit request that is deferred or declined may be reconsidered as part of the annual audit planning process.

50.4   Macro Risk Assessment Process.
A risk assessment is a systematic process for assessing and integrating professional judgments about probable conditions or events that may warrant audit coverage. Macro risk assessments are executed through the strategic planning process. This process is designed to identify and prioritize workload for the organization by applying risk factors to key auditable areas.

Each AIGA and his or her staff will use a macro risk assessment process to identify the broad audit emphasis areas and other high-risk audit work including the identification of waste, fraud, and abuse and internal control systems. Each AIGA will begin the risk

assessment process by identifying IRS offices and core processes that are the responsibility of his or her program.

50.4.1   Key Factors to Be Considered in a Macro Risk Assessment. Risk factors are the criteria used to identify the relative significance of, and likelihood that, conditions or events may occur that could adversely affect the organization. The following factors will be used to evaluate the risks associated with the relevant auditable areas:

- Stakeholders' concerns.

- Size of the program.

- Program Changes.

- Taxpayer Impact.

- Professional judgement.

50.4.2   Weighing Risk Factors. The AIGAs will use their judgment to weigh the relative significance of the risk factors. For each IRS office that the AIGAs determine will require a risk assessment, a determination of the level of risk (high, medium or low) will be documented.

Risk assessments will ultimately lead to suggested audits. For each suggested audit, inspection or evaluation, business units should identify potential outcome measures based on the anticipated audit or evaluation approach.

50.4.3   Documenting Research and/or Analysis. The AIGAs will establish and maintain files for each auditable area. These files will contain the source and documented results of research efforts around the key risk factors.

50.4.4   Factors to Consider When Weighing Risks.

Stakeholder Concerns – This factor includes internal and external stakeholders, such as: the IRS, the Congress, the Department of the Treasury, and the GAO.

IRS stakeholders can be defined as any individual, group, or government agency that has concerns or is affected by the way the IRS does business. Identifying the concerns of IRS stakeholders, both external and internal, is one of the most critical steps in the risk assessment process.

Major external stakeholders include the Congress, the Department of the Treasury, the GAO, and various tax practitioner groups. In addition, the IRS interacts with various

Government agencies that provide information vital to the IRS's mission. These may include, for example, the Social Security Administration, the Department of Justice, and the Office of Management and Budget.

Depending on the issue, various taxpayer groups are also affected by the way the IRS enforces or interprets specific tax laws. These groups may include, for example, self-employed taxpayers, small business taxpayers, and exempt organizations.

Major internal stakeholders include IRS executives, managers, and employees.

Information on stakeholders' concerns will be obtained from a variety of sources including, but not limited to, the following:

- <u>Communications with Internal Revenue Service Executives</u> – On an annual basis, the DIGA will communicate in writing to IRS Executives soliciting their concerns and suggestions for audit coverage as well as any program or organization changes within their area. Also, periodic meetings are held with various IRS executives and top-level IRS officials to identify particular areas of concern or Major Management Challenge areas for the upcoming fiscal year.

- <u>Minutes of Key Meetings</u> – The IRS holds periodic meetings with various advisory and liaison groups (*e.g.*, IRS Advisory Council, National Association of Tax Practitioners, *etc.*) to provide information, as well as address any concerns or problems they may be encountering. In addition, the IRS executives hold high-level meetings to discuss strategic objectives or areas of emphasis and concern (*e.g.*, Senior Council for Management Controls, Investment Review Board, *etc.*).

- <u>Internet Sources</u> - Valuable information relating to internal and external stakeholders can be obtained from the Internet. This information includes summaries of congressional hearings, IRS testimonies, results from customer service surveys and focus groups, *etc.* In addition, various organizations associated with tax processing have Internet addresses (*e.g.*, American Institute of Certified Public Accountants, National Association of Enrolled Agents) that may provide information on specific taxpayers' concerns and/or problems.

A high profile issue or program that has received recent publicity or IRS management's attention, or an issue or program that management has expressed concerns about or specifically asked for audit coverage of, would be rated **high risk**. An issue or program that IRS management or other stakeholders have not expressed concerns about but that could cause adverse publicity if not managed properly would be rated **medium risk**. An issue or program that IRS management

or other stakeholders have not expressed concerns about and there is little risk of adverse publicity if not managed properly would be rated **low risk**.

Size of the Program – This factor includes the budget and revenue impacted. The factor considers the measurement most applicable to the particular area being assessed. For instance, this factor could include the number of returns processed, customer service contacts, cases worked, taxpayers or returns affected, and/or the amount of staffing allocated and dollars spent on the program.

If the program size is large, is a significant part of IRS operations, or affects a significant part of IRS operations, then this factor would be considered **high risk**. The risk factor would be a **medium risk** if the program size is medium and affects a significant part of IRS operations or the program size is large but does not affect a significant part of IRS operations. The risk factor would be **low or no risk** if the program size is medium or small with little or no major effect on IRS operations.

Taxpayer Impact – This factor includes taxpayer burden, customer service, customer satisfaction, taxpayer entitlements, taxpayer relations, and taxpayer rights. If a program directly impacts a large number of taxpayers, then this factor would be considered **high risk**. If a program directly impacts a medium number of taxpayers, then this factor would be considered **medium risk**. If the program does not impact taxpayers or only indirectly impacts taxpayers, then this factor would be considered **low risk**.

Program Changes – This factor includes new programs, tax law changes, organizational changes, reengineering efforts, information technology and modernization.

- New Programs and Tax Law Changes
  The impact of new programs, modified programs, and tax law changes on IRS functions and other stakeholders should be considered, along with the amount of changes and work involved in implementing the new or modified programs or tax laws, as well as the impact of not implementing the change effectively.

  This factor would be rated as **high risk** if new programs or enhancements to major programs, numerous tax law changes, or tax law changes affect major programs or processing functions or where the impact of not effectively implementing the new program or tax law changes is great and other stakeholders are significantly (detrimentally) affected.

  New programs or enhancements to medium size programs and tax law changes that affect programs or processing functions, or where the impact of not effectively implementing the change is small and other stakeholders are mildly (but not detrimentally) affected would be rated as **medium risk**. New programs, or minor or no enhancements to programs and few or no tax law changes where

the changes do not significantly affect other stakeholders, would be rated as **low risk**.

- Organizational Changes
  This risk factor would include a change in organizational structure or a reduction in resources. For instance, this may include the establishment of a new function, the transfer of program responsibility from one function to another, or merging of two functional areas.

  Major reorganizations, consolidations, or reductions that significantly affect IRS operations are rated as **high risk**. Medium size reorganizations, consolidations, or reductions that mildly affect IRS operations would be rated as **medium risk**. Insignificant or no changes to organizations or programs that will not have a measurable effect on IRS operations would be rated as **low risk**.

Professional Judgement – This factor includes the overall auditor judgement based on his/her experience and knowledge of the auditable area. This would include an assessment of prior audit findings, last audit coverage, *etc.* For example, if a program has been recently audited and corrective actions are underway, then this factor may be considered a **low** or **medium risk**. Conversely, if OA staff determine an area has not previously been reviewed, then this factor may be considered a **high risk**.

50.4.6   Identifying and Developing Audit Major Management Challenge Areas. Major Management Challenge areas are developed in line with the IRS's strategic objectives and built around defined outcome measures that strike a balance between revenue, costs, protection of resources, and taxpayer burden, rights, and privacy. The macro risk assessment process for each AIGA is designed to identify the broad challenge areas that will be included in each year's Annual Audit Plan. A Director may be assigned to assist the AIGA in developing challenge area activities.

Some challenge areas may contain a broad focus of audit work that needs to be addressed in a multi-year approach. Other challenge areas are more time sensitive and will be completed in a fiscal year or shorter period.

The AIGA will continually monitor the challenge areas and make changes to program priorities when necessary based on changing conditions.

50.4.7   Identifying and Prioritizing Audits within Major Management Challenge Areas. The results of the macro risk assessment process will be used to identify specific audits and prioritize audit coverage within individual Major Management Challenge areas. The Director will document the selected audits and the priorities.

50.4.8   Identifying Other High Risk Work.   In addition to Major Management Challenge areas, the macro risk assessment will identify work to be performed to support our

responsibilities to identify waste, fraud, and abuse and/or evaluate internal control systems. These reviews may or may not be identified in the published Annual Audit Plan. At the minimum, these projects will be tracked internally in the OA if not identified in the published Annual Audit Plan.

50.5   Delivering Audit Work.
The Directors are responsible for delivering the audit work identified in the Annual Audit Plan. The Director will:

- Coordinate with other offices conducting audits in the assigned area.

- Ensure recommendations are discussed with executive management throughout the audit.

Audit plans and subsequent addenda to audit plans will be forwarded to the AIGAs after approval by the Director. Addenda amending the audit plan will be forwarded to the appropriate AIGA before major objectives are dropped or significantly modified because these decisions may affect an overall strategy area.

The Director is responsible for keeping abreast of audit progress, periodic visitations, regular communications, and concurrence in changes to objectives or scope in approved audit plans.

50.6   Audit Justifications.
Audit Justifications will be used in identifying or scoping potential audits. Audit Justifications must be prepared for all audits, including those that could be added to the Annual Audit Plan if additional resources were made available. The audit justification template is included in the DIGA memorandum that is issued each year regarding planning guidance. The **Audit Justification** template can be found in the Templates sections of Microsoft Office Word.

Audit Justifications also contain areas of concern that either currently exist or could occur. The areas identified may affect the efficiency of processes, resources, systems, products, or outcomes. Leads may come from a number of sources including:

- The macro risk assessment process.

- Ongoing audit work, including auditors' observations while conducting audits.

- Management requests or referrals.

- Integrity reviews.

Audit Justifications prepared by the auditing offices should be routed through the Director to the appropriate AIGA. When an office submits a new Audit Justification for consideration, the office should provide as much information as possible without investing additional resources. The AIGAs will be in the best position to judge whether the Audit Justification warrants further development.

Business units will provide all approved Audit Justifications to OMP to be maintained in a centralized file.

50.7   Communications.
All national and local levels of management share a joint responsibility in effectively communicating to their staffs emerging issues that the IRS and TIGTA should be or currently are addressing.

CHAPTER 300 – AUDITING

(300)-60   **Planning and Conducting Audits**

60.1   Overview.
Quality Office of Audit (OA) products and services result from the consistent application of sound auditing techniques that comply with generally accepted government auditing standards. All OA projects and audits are primarily divided into three parts: planning, fieldwork, and reporting. This section covers the planning and fieldwork portions of audits, while **Section (300)-90** covers reporting audit results.

The two primary drivers of the OA program are:

- **Professional standards**: These include the Government Accountability Office's (GAO) generally accepted ***Government Auditing Standards*** (GAGAS), the Council of Inspectors General on Integrity and Efficiency Standards**,** and the American Institute of Certified Public Accountants (AICPA) Statements (for financial statement audits).

- **The OA's outcome measures**: These outcome measures maximize impact on tax administration and emphasize achievements in the areas of significance to the Internal Revenue Service (IRS).

The planning and fieldwork standards/procedures outlined in this section apply to all types of reviews, except where otherwise noted in their respective sections.

60.2   Planning Audits.
Auditors should document the planning process for each audit. This process includes the following:

- Establishing audit objectives and the scope of work.

- Conducting research to obtain background information about the activities to be audited.

- Performing an on-site survey, when needed, to become familiar with the activities and controls to be audited, to identify areas for audit emphasis, and to invite auditees' comments and suggestions.

- Assessing internal controls, including documenting a conclusion as to whether internal control is significant to the audit objectives. If significant, auditors should also document which of the five components of internal control are significant to

the audit objectives, and should plan and perform audit procedures to assess internal control to the extent necessary to address the audit objectives. This documentation can also identify the underlying principles, control objectives, or specific controls that are significant to the audit objective. **Exhibit (300)-60.1** provides an example of an Internal Control Assessment template that should be used to assess internal controls. See GAGAS paragraphs 8.39-8.58 and Figure 4 for additional guidance. Also, see GAGAS paragraphs 8.59-8.67 for guidance on information systems controls considerations. All audits must document a risk assessment of the internal controls dependent on information systems processing.

- Evaluating the need for support from the OA's Data Extracts group, Applied Research and Technology group, or contract statistician.

- Preparing all elements of the audit plan and obtaining approval.

- Communicating with management before starting work and determining how, when, and to whom audit results will be communicated.

Professional auditing standards require that auditors design a methodology to obtain sufficient, appropriate evidence that provides a reasonable basis for findings and conclusions based on the audit objectives and to reduce risk to an acceptably low level. Auditors should perform and document in procedure summaries an overall assessment of collective evidence to support the findings and conclusions, and include the results of any specific assessment to conclude the validity and reliability of specific evidence. See GAGAS paragraphs 8.90-8.115 for additional guidance on evidence and an overall assessment of collective audit evidence.

Auditors will develop and include in the audit plan appropriate audit procedures to identify testing and sampling techniques. If sampling will be used, auditors will develop a sampling plan.

For audits that involve sampling, it is highly recommended that OA's contract statistician be consulted during planning to ensure the sampling methodology will meet the audit objectives and conform to *Government Auditing Standards*. Depending on the complexity of the objectives and population, the statistician may assist in the design of the sampling plan or, if the audit team has developed a proposed sampling plan, the statistician may review the plan for sufficiency. The use of a statistician is especially important in designing the sampling plan when using surveys/questionnaires during the course of an audit or project. This is due to the unique complexities involved in drawing inferences or making projections based on surveys/questionnaires. The Applied Research and Technology (ART) group within Management Planning and Workforce

Development (MPWD) oversees the statistical services contract. See **Section (300)-30.1.2** for a description of the duties of the ART group.

It is also recommended that the same approach be used in the presentation of the results of statistical sampling or other statistical methods. Audit teams should either consult with a statistician in determining how to present the results of the statistical analysis or request that the statistician review the presentation of the results to ensure conformance with accepted statistical practices. The best approach as to whether and when to consult with a statistician depends on the complexity of the sampling methodology.

Information on sampling techniques is included in **Section (300)-80.4**. Auditors will also develop methods to identify outcome measures from the audit. More detail on identifying and reporting of outcome measures is included in **Section (300)-90.12.12**.

If audits are conducted in areas where Federal Manager's Financial Integrity Act of 1982 weaknesses have been identified or nonconformance occurred, auditors should follow up on the completed actions taken and report the actions to the Deputy Inspector General for Audit (DIGA). These actions may be covered in the audit report or, if warranted, in a separate memorandum.

According to GAGAS fieldwork standards, in planning an audit, auditors should identify significant findings and recommendations from previous audits that are significant within the context of the current audit objectives. Auditors should determine if management has corrected the conditions causing those findings and implemented those recommendations. Auditors should use this information in assessing risk and determining the nature, timing, and extent of current audit work, including determining the extent to which testing the implementation of the corrective actions is applicable to the current audit objectives.

Professional auditing standards require that each project include an assessment of internal control, including documenting whether internal control is significant to the audit objectives. Some factors that may be considered when determining significance include: the subject matter under audit; the nature of the findings and conclusions expected to be reported; the categories of entity objectives (operations, reporting, and compliance); and the components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring).

When necessary to supplement the skills of the audit team, use of consultants or internal specialists should be considered and approved by the respective Assistant Inspector General for Audit (AIGA). When obtaining the assistance of consultants or internal specialists, the audit staff should ensure that the prospective consultant or specialist has the appropriate knowledge and experience for the audit area and can

accommodate the audit schedule. Reviews of resumes, proposals, and references as well as direct interviews should be used, as appropriate, when selecting consultants or specialists. The assessment and decision regarding consultants or specialists should be documented in the workpapers.

During each review's audit planning phase, the audit team should identify and evaluate all GAO planned, ongoing, and recently completed audit coverage of the subject review area. Taking this step will ensure that the OA has considered the impact of related audits "blanketing" a particular business unit.

Because the OA and the Office of Inspections and Evaluations (I&E) reviews can cover similar IRS activities, effective communication and coordination allows each office to benefit from the other's planning, research, and reviews. Doing so not only leverages the resources of each office but also ensures the scope of reviews does not result in overlap and, therefore, the inefficient use of resources. Coordination activities include:

Researching Background Information

- The I&E will include the Office of Management and Policy (OMP) Director on e-mails to the Enterprise Audit Management when advising the IRS that I&E is gathering background information.

- The OA conducts pre-planning activities that are shown on the TeamMate+ TeamInsights Reports as audits in planning status. The I&E has access to TeamInsights Reports for information on audits.

Engagement Letters and Draft Reports

- The OA will include the "Deputy Inspector General for Inspections and Evaluations IG:IE" as a recipient of OA engagement letters.

- The I&E will include the "Deputy Inspector General for Audit, IG:A" in its Report Distribution Lists.

- The DIGA will make these documents available to the OA staff.

Audit and I&E Project Inventory Listings

- The DIGA will include the Deputy Inspector General for I&E on the monthly e-mails to the Inspector General with the listing of all planned, open, and closed projects for the year, by status (*e.g.*, not started, open, draft report, *etc.*).

- Bi-monthly, the Deputy Inspector General for I&E will send the DIGA a listing of ongoing projects.

Report Listing

- The Office of Communications has provided access to their SharePoint Communications Work Management System that contains pending final reports. Both OA and I&E managers and executives have access to this system.

- TeamMate+ TeamInsights Reports provides a listing of draft reports pending for the next 90 days as well as open and closed projects. Both OA and I&E have access to these reports.

Annual Planning

- For Fiscal Year planning, OA and I&E staffs will meet before finalizing their respective annual plans to discuss potential duplication, need for coordination, and any gaps that need coverage by either the OA or the I&E.

Communication on Individual Projects

- The I&E Directors and OA Directors may meet at any time to coordinate on individual projects and share knowledge and perspective about their respective reviews.

- The I&E encourages staff to meet with the appropriate audit teams to develop a strong rapport and share relevant information.

SharePoint

- Both offices will work toward a common SharePoint site accessible by OA and I&E staffs that contains the following: research inquiries (I&E), engagement letters, draft reports, final reports, and inventory of all planned, open, and closed projects.

60.3   General Planning Techniques.
The purpose of planning is to collect, summarize, and evaluate data. Planning is done to:

- Gain an understanding of programs or operations to be reviewed.

- Identify significant matters, such as high-risk areas, potential fraud, integrity problems, and new procedures. Auditors should assess the risk of fraud occurring that is significant within the context of the audit objectives. This assessment process should be documented in the internal control assessment and audit plan. See GAGAS paragraphs 8.71-8.76 for additional guidance on fraud. See **Section (300)-50.4** for more information on fraud, waste, and abuse.

- Study the management styles of people who direct and carry out programs and operations.

- Learn an activity's missions, objectives, and goals.

- Pinpoint key management and internal controls.

- Evaluate the reliability of the internal control structure.

- Prepare a fully developed audit plan that ensures the audit is properly staffed and costs (travel and staff days) are based on the information gathered.

Minimum audit coverage is achieved by knowing and understanding an activity's procedures and methods and evaluating success in satisfying established objectives. This evaluation requires auditors to exercise professional judgment in interpreting such information as:

- Functional business or strategic plans (which should address core tax administration processes).

- Available statistical information (which should compare functional operations to those of similar functions).

- Results of operational reviews made by managers.

- Concerns of managers.

- Expectations made of functional management to address fiscal year corporate critical success factors.

- Functional logistics, such as organizational types and sizes and number or locations of potential audit sites.

- Determinations of historical high-risk and known problem areas.

- Assessments of the adequacy of internal control systems.

- Impact studies of automation on local controls and physical security of tax data and other information.

60.3.1   <u>Researching Legal and Regulatory Requirements</u>. The audit team will, when appropriate, perform legal and regulatory research. The final interpreter of Federal laws and regulations is the judicial system. The Supreme Court, the U.S. Courts of Appeal, the U.S. District Courts, the U.S. Tax Court, and the U.S. Court of Claims make decisions that interpret Federal tax laws and regulations. The best sources for researching judicial tax decisions are U.S. Tax Cases and the Tax Court Reporter. U.S. Tax Cases includes tax decisions made by all Federal Courts, except the U.S. Tax Court. To use these sources, researchers should know the names of taxpayers involved or the case issues. Several of these sources can be researched via the Internet/Intranet or through the Internet websites of the commercial services that compile the information.

Vulnerabilities to violations of laws and regulatory requirements should be considered during the planning process. Specifically, when assessing the adequacy of the internal control systems, the auditors should assess the risk of possible violations of laws and regulatory requirements. The audit plan should be modified, as appropriate, based on the risk level assessed. In conducting audit tests, auditors are responsible for making reasonable assurances that widespread or large-scale violations of laws and regulatory requirement do not exist. However, auditors are not expected to identify all isolated breaches of laws and regulatory requirements. The extent of testing depends upon the control environment and risk vulnerabilities of the area being audited.

Several commercial services compile information from Federal laws and regulations; IRS rulings and procedures; and Federal, State, and Local court decisions. They include:

- Prentice Hall – Federal Taxes.

- CCH – Federal Tax Reporter.

- Merten – Law of Federal Income Taxation.

Auditors may need to check original sources when researching legal and regulatory requirements. One of these sources is the U.S. Code Annotated, which:

- Compiles public laws by subject matter (*i.e.*, titles).

- Provides laws currently in effect.

- Contains brief histories of each section within.

- Cites important court decisions having impact on the law.

- Is updated through annual supplements and is easily used when researchers know the numbers of the Code section(s) affecting the issues they are researching.

The U.S. Statutes at Large lists public laws in sequential order of passage by congressional session. Because auditors normally conduct research on broad areas of law rather than on specific laws, the Statutes at Large have limited usefulness.

Regulations established by Government agencies and departments to implement Federal laws are compiled by title in the Code of Federal Regulations (C.F.R.). The numbering system for the C.F.R. is the same as for the U.S. Code Annotated. Annual revisions and reprinting of the C.F.R. are supplemented by the *Federal Register*, which includes updates of these regulations. Codes frequently researched include:

- Title 5 – Government Organization and Employees.

- Title 18 – Crimes and Criminal Procedures.

- Title 26 – Regulations Enacted by the Secretary of the Treasury to Interpret the Internal Revenue Code.

- Title 31 – Money and Finance.

Internal Revenue Cumulative Bulletins (CB) list all Revenue Rulings and Procedures issued by the IRS during a 6-month period. Rulings and Procedures are numbered consecutively from the beginning of the calendar year and are located under applicable sections of the Code. Revenue Rulings and Procedures do not have the force and effect of regulations but may be used as precedent by IRS personnel. To use CBs, researchers must know the Ruling and Procedures numbers. Revenue Rulings and Procedures serve the following purposes:

- Interpret tax regulations according to particular sets of facts advanced by taxpayers.

- Describe internal practices and procedures affecting the rights and duties of taxpayers.

When audit activities require an interpretation of laws or regulations, the Office of Chief Counsel should be consulted to ensure the laws or regulations are appropriately interpreted/applied to the audit. The Office of Chief Counsel should also be consulted when audit results require reporting on potential violations of laws, regulations, or

employee/taxpayer rights. Requests for assistance from the Office of Chief Counsel should be approved by the respective AIGA.

Legal advice to auditors should not be included in audit workpapers. There are concerns that if legal advisories are included in the workpapers available to external sources (*i.e.*, external peer review teams, GAO auditors, IRS management, *etc.*) any applicable privilege, such as attorney-client privilege, might be presumed to have been waived for legal advice rendered with an expectation of confidentiality.

Audit managers are required to maintain a "Legal Opinion" file. This file can be in either electronic or paper form but must be maintained outside of the official workpaper files. Also, the official workpaper files must contain a notation that a legal opinion was obtained and identify where the opinion is maintained. External parties requesting access to the Legal Opinion file should be referred to the Director, OMP. The Director will assess the request and consult with the Chief Counsel's office in determining both whether any privileges should be waived and documents made available. In addition, the Objective, Scope and Methodology section of the relevant audit report must note that the Chief Counsel's office was consulted on legal opinions/issues discussed in the report.

60.3.2   <u>Audit Survey Techniques</u>. Survey techniques should be used throughout the audit process as needed. This process may also serve as a method to identify and evaluate potential audit risk (*i.e.*, micro-risk assessment). Survey techniques may be applied during planning and fieldwork execution processes as needed. (See **Section (300)-80** for Audit Techniques.)

If preliminary audit work does not produce reportable audit issues in the early stages of review, auditors should discontinue audit work and issue a memorandum or report. It is especially important in the early stages of audit testing to be flexible and adjust audit plan elements, as necessary. Further review and in-depth tests should be developed if preliminary results indicate:

- Weak spots or poorly controlled operations.

- High-risk areas.

- Potential weak or missing controls.

- Lack of essential coordination with other divisions or activities.

- Uncorrected significant findings or recommendations from prior audits.

60.3.3   <u>Evaluating the Reliability of Computer-Processed Data</u>. Many OA reviews involve the extraction, analysis, and testing of computer-processed data in order to meet one or more objectives. Auditors should be aware of the potential risks associated with computer-based data. Auditors who use these data to support findings must ensure that the data are reliable. In this context, data reliability means that data are applicable for audit purpose and are sufficiently *complete* and *accurate*.[1] Auditors are not expected to ensure that all possible errors are detected but that the data are sufficient and appropriate for their specified purpose. The auditor's judgment in relying on system controls, selecting data testing methods, and determining the extent of data testing is critical to ensuring the integrity of our audit products.

The GAGAS provide standards and requirements for financial and performance audits to include assessment of the reliability of computer-processed data. In addition, the GAO guide, *Assessing Data Reliability* (**GAO-20-283G**), dated December 2019, provides a flexible, risk-based framework and requirements for data reliability assessments that can be geared to specific engagements.

The OA's audit teams should assess data reliability if the data to be analyzed are intended to support audit results, findings, conclusions, or recommendations. Some data used only as background, such as data requested from a source and used in a table, may not require an assessment. A determination of the best approach to satisfy GAGAS requirements will be made on an audit-by-audit basis. The results and basis for assessing the reliability of computer-processed data must be documented in the workpapers **and** the audit report.

When an assessment is required, OA's audit teams will include general steps in the Audit Plan to assess the reliability of computer-based processed data. When completing the assessment, the audit team should perform those tests considered necessary to support an opinion on the data reliability and to accomplish the overall objectives of the audit. Depending on the purpose for which the data will be used, not every step will be applicable or necessary for all data sources.

The framework for the data reliability assessment process includes:

- Determine the need for and plan the assessment by determining the audit's data needs, determining whether applicable data exists, deciding whether a data reliability assessment is needed and determine the extent of the assessment.

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[1] In the context of data reliability, ***applicability for audit purpose*** refers to whether the data, as collected, are valid measures of the underlying concepts being addressed in the audit's research objectives. ***Completeness*** refers to the extent that all relevant data records and fields are present and sufficiently populated. ***Accuracy*** refers to the extent that recorded data reflect the actual underlying information.

- Conduct the data assessment with an appropriate mix of work. This includes, but is not limited to: conducting interviews with knowledgeable officials and reviewing documentation; performing tests on the data; and other steps, such as tracing to and from source documents and reviewing selected system controls.

- Make the final data reliability determination. If enough information was obtained for a determination, determine if the data are sufficiently reliable, not sufficiently reliable, or undetermined reliability for the purposes of the audit. If not enough information was obtained, request more information. If the reliability of the data was undetermined, the report should make the limitations of the data clear so incorrect or unintentional conclusions will not be drawn from the data. For example, the report should indicate how the use of the data could lead to an incorrect or unintentional message.

- Include appropriate language in the report. A description of the data reliability assessment and determination is an important part of describing the appropriateness of evidence used in the audit. To comply with GAGAS, auditors should include a description of the assessment and determination in the methodology section and any applicable context within the text about the specific data reported.

Generally, a data reliability assessment is performed as early as possible in the audit. Examining the information early is necessary to help the team determine whether the data would be appropriate for addressing the objectives in the first place. The process is likely to differ from one audit to another. However, it should include sufficient work to allow the auditor to have a good understanding of how the data were collected, the systems they were extracted from, and the process and system controls related to the key data elements for the engagement.

To document the analysis performed to assess the reliability of computer-processed data, the audit team should complete the Data Reliability Assessment form. One assessment should be completed for each audit performed and should include summary information for all data sources used. To provide additional assurance that significant financial outcomes are supported by conclusive data work, the audit team should consult with the ART Data Analytics team to review data methodologies where combined financial outcomes[2] are projected to be $1 billion or more. If resources are available, the ART Data Analytics team will reference the data methodology documented by the auditors.

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[2] Includes the collective total of questioned costs, funds put to better use, increased revenue, and revenue protection.

During the data reliability assessment process, the auditor or analyst may identify issues that result in limitations to the data and/or expected analysis to be performed. Any issues or impediments identified should be documented in the assessment. Further, if data are determined to be unreliable or to have undetermined reliability, the audit team should discuss with their manager the best approach of how to proceed.

Determining the Need for and Planning the Assessment – When a data reliability assessment is needed, the audit team should review existing information about the data and the system. Existing information could be obtained from other OA audit reports, GAO reports, IRS management reports, external studies, or interviews with individuals who are knowledgeable of the data or system. The audit team should also obtain the data (*e.g.*, from the IRS, Treasury Inspector General for Tax Administration's (TIGTA) Data Extracts team, the audit team's Data Center Warehouse analysis, *etc.*) in either hard copy form or electronically. The audit team should then perform initial tests to identify missing data (*e.g.*, either entire records or values of key data elements), test the relationship of one data element to another, identify values outside the designated range, and identify dates outside valid time periods or in an illogical progression (See GAO-20-283G, Sections 2, 3, and 4 for more information).

The audit team should determine the extent of the assessment by determining whether the data are sufficiently reliable for the purposes of the audit engagement, not sufficiently reliable, or yet undetermined. The audit team is not attesting to the overall reliability of the data or database/system. Rather, the audit team is only determining the reliability of the data as needed to support the findings, conclusions, or recommendations in the audit report. Factors to consider in determining the extent of the assessment include:

- **The expected importance of the data to the final audit report.** In making an assessment, consider the data in the context of the final report. If the data are the sole source of information leading to findings and recommendations, a more extensive assessment will likely be necessary than if there are additional sources of evidence. The assessment should focus on whether the data are reliable given the way that they will be reported. When an objective calls for the use of precise numbers, a more thorough review may be warranted than when more approximate data are sufficient.

- **The strength or weakness of any corroborating evidence.** This is independent evidence (*e.g.*, alternative databases or expert views) unique to the particular audit that supports information in the system or database. Factors to consider in assessing the relative strength or weakness of corroborating evidence include whether the evidence is consistent with GAGAS standards of evidence (sufficiency and appropriateness), provides crucial support, is drawn

from multiple sources, is drawn from multiple types of evidence, and is independent of other sources.

- **The anticipated level of risk that using data of questionable reliability could have significant negative consequences for the auditing agency on the decisions of policymakers and others.** Factors to consider in performing a risk assessment include whether the data: may be used to inform legislation, policy, or a program that could have substantial effect; may be used to inform important decisions by individuals or organizations with an interest in the subject; will be the basis for numbers that are likely to be widely quoted; are relevant to a sensitive or controversial subject; or have been evaluated for their quality by experts or external stakeholders.

Performing the Data Reliability Assessment – When performing the data reliability assessment, the audit team should consider a range of additional steps to further determine data reliability. These steps include interviewing knowledgeable officials, tracing to and from source documents, using advanced electronic testing, and reviewing selected system controls (See GAO-20-283G, Section 4 for more information). The mix of additional steps depends on factors such as the weaknesses identified in the preliminary assessment, risk level, and extent of corroborating evidence. In some situations, (*e.g.*, short time periods, original computer files deleted, access to needed documents is unavailable), it may not be feasible to perform any additional work. In these instances, see **Section (300)-90.12.8**, Results of Review, for appropriate audit report language.

Making the Final Data Reliability Determination – When making the final determination of reliability, the audit team should consider the results from all previous work to determine whether, for the intended use, the data are sufficiently reliable, not sufficiently reliable, or of undetermined reliability. Again, the audit team is not attesting to the overall reliability of the data or database/computer system. Rather, the audit team is only determining the reliability of the data as needed to support the findings, conclusions, or recommendations of the audit.

- **When to assess data as sufficiently reliable** – The audit team can consider the data sufficiently reliable when it concludes that, on the basis of the additional work as well as an initial assessment, using the data would not weaken the analysis or lead to an incorrect or unintentional message. When the assessment does identify data issues with the potential to lead to an incorrect message, there are additional options that may allow for at least limited use of the data (See GAO-20-283G, Section 5 for more information).

- **When to assess the data as not sufficiently reliable** – The audit team can consider the data to be not sufficiently reliable when it concludes that, on the

basis of information drawn from the additional work and a preliminary assessment, using the data would most likely lead to an incorrect or unintentional message and the data have significant or potentially significant limitations, given the intended use of the data. The audit team should seek evidence from other sources, including alternative computerized data or original data in the form of surveys, case studies, or expert interviews. When data are not sufficiently reliable, the audit team, in consultation with senior management, can redefine the audit objective(s) to eliminate the need for the data, use the data with appropriate disclaimers, or end the engagement.

If the audit team decides to use the data, the limitations of the data should be made clear in the audit report so incorrect or unintentional conclusions will not be drawn. **In addition, given that the data have serious reliability weaknesses, the audit report should include this as a finding and recommend corrective action(s)**.

- **When to assess the data as of undetermined reliability** – The audit team can consider the data to be of undetermined reliability when it concludes that, on the basis of the information drawn from the additional work and a preliminary assessment, use of the data could lead to an incorrect or unintentional message and the data have significant or potentially significant limitations, given the intended use of the data. The audit team can consider the data to be undetermined reliability if specific factors such as data limitations that prevent an adequate assessment, the deletion of original computer files, and the lack of access to needed documents are present. If the audit team decides to use the data, the audit report must include clear language describing the data limitations so incorrect or unintentional conclusions will not be drawn.

Including Appropriate Language in the Report – A description of the data reliability assessment and determination is an important part of describing the appropriateness of evidence used in the audit. To comply with GAGAS, auditors should include a description of the assessment and determination in the methodology section and any applicable context within the text about the specific data reported.

GAGAS emphasizes the importance of using appropriate data. The audit team conforms to GAGAS with respect to data reliability by describing: (1) the steps taken to assess the data; (2) any relevant data concerns, and (3) their judgment about the reliability of the data for the audit's purpose. In the methodology section of the report, the audit team should describe its assessment of data reliability and the basis for its determination. The language in this description will depend on whether the data are sufficiently reliable, not sufficiently reliable, or of undetermined reliability given the audit's purpose. Stating the specific purpose associated with the determination can

help the reader to better understand how the audit team determined the data can or cannot be used (see GAO-20-283G, Section 6 for more information).

See **Section (300)-90.12.8**, Results of Review, for more information on the reporting requirements related to assessing the reliability of computer-processed data.

Data provided by the Data Extracts team should also have documentation on the steps taken to extract or analyze the data. The programmer is responsible for ensuring that the process used to extract or analyze the data has not compromised the integrity of the information.

Auditors should state the source of data and the methods used to determine their reliability in their workpapers and in the report scope. The report must assure the reader that data are credible and reliable. Specifically, the report should:

- Identify the scope of work done when the auditors rely on system controls to reduce their data testing.

- Describe the testing of computer data, including tests performed, their purpose, and the error rates revealed.

- Present any factors that are known to limit the data's reliability and, if significant, the sensitivity of these results to the accuracy of the data.

60.3.4   Fraud, Waste, and Abuse Awareness During the Audit Process.
As part of its mission, the OA is responsible for conducting comprehensive, independent performance and financial audits of IRS programs. As part of this process, auditors must review operations to prevent, detect, and deter fraud, waste, and abuse during the micro-planning (individual audit) process. In exercising due professional care, auditors should be alert specifically to the possibilities of intentional wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, and conflicts of interest on every audit assignment.

For information on OA's Integrity Program, please see **Section (300)-70**.

Fraud specifically deals with illegal acts involving the obtaining of something of value through willful misrepresentation. Waste and abuse are distinct and do not necessarily involve illegal acts and other noncompliance. Instead, the conduct of the Government program falls far short of societal expectations for prudent behavior.

Vulnerabilities to fraud, waste, and abuse should be considered during the planning process and are based upon an assessment of management controls, management information systems, and the risk of financial gain by employees, program users,

beneficiaries, providers, contractors, or others. See **Section (300)-50,** Strategic Planning Process, for additional information on considering fraud, waste, and abuse during the macro-planning process.

The IRS's employees who commit fraud seek out ways and means to circumvent management and operating controls. Many employee schemes are discovered by alert, imaginative auditors. These auditors approach auditing assignments with the belief that no system is perfect or completely foolproof and that procedures which appear highly reliable may, in fact, be highly unreliable.

In conducting audit tests, auditors are responsible for making reasonable assurances that widespread or large-scale improprieties do not exist. However, auditors are not expected to identify all isolated breaches of integrity or guarantee that employee improprieties have not occurred. The extent of testing depends upon the control environment and risk vulnerabilities of the area being audited. During the audit planning process, auditors should assess and document the risks of fraud occurring that are significant within the context of the audit objectives. However, assessing the risk of fraud is an ongoing process throughout the audit. GAGAS paragraphs 8.71-8.76 contain additional guidance on fraud.

Third-party sources can help in detecting fraud, waste, and abuse. These sources can be accessed by:

- Confirmation letters.

- Telephone and personal interviews.

- Reviews of public records, such as telephone books, street directories, county tax assessments, records of deed and mortgage documents, and vehicle registration records.

Other audit techniques that can be used to detect fraud, waste, and abuse include:

- Creating computer programs to identify pre-determined suspect items.

- Analyzing transaction files to identify specific transaction codes or combinations of transaction codes that indicate potential breaches of integrity.

- Reviewing closed cases and identified trends in the Problem Resolution Program.

- Observing the physical security practices of offices under review.

- Reviewing management reports and processes designed to provide audit trails.

- Interviewing IRS employees and asking them if any areas within their departments are susceptible to fraud and abuse.

Discovery sampling is recommended for detecting fraud, waste, and abuse. However, required sample sizes are often too large to make this technique feasible. Scanning techniques are used to identify suspect items during fraud detection tests. See **Section (300)-80.4,** Sampling, for additional information on sampling.

When control weaknesses or questionable work practices create the climate for potential integrity breaches, auditors should recommend the initiation of integrity projects. In addition, the OA has developed a formal Integrity Program that emphasizes proactive efforts/projects to enable the OA to detect, deter, and help prevent fraud, waste, and abuse in IRS programs. See **Section (300)-70** for further detailed information on the Integrity Program.

When employee fraud is detected during an audit, audit results are developed and referred to the Office of Investigations (OI) for review and evaluation. Subsequent OA reports will include the OI's results but are not delayed solely to report these results. Reports issued with pending OI actions will contain the disclaimer: "Our audit tests identified potential integrity breaches that have been referred to the OI for review and evaluation."

60.3.4.1   <u>Referrals to the Office of Investigations</u>. Auditors should evaluate all potential integrity breaches, whether they are made by IRS employees or non-IRS persons, for possible referral to the OI.

Auditors should immediately discuss possible integrity breaches with their Audit Managers. Audit Managers, in conjunction with their Director, should discuss the identified issue with OI personnel before deciding whether a referral is warranted. The Director, Applied Research and Technology in Management Planning and Workforce Development may be able to facilitate this discussion.

Audit Managers should prepare formal referral memoranda and send them to their Directors for review and submission to their AIGAs. The AIGA will review, approve, and forward the referral to the OA Joint Integrity Board Co-Chair (AIGA, Management Planning and Workforce Development).   Memoranda to the OI should include:

- Specific details on what was found and why an investigation is warranted by the OI.

- Background information on questioned items. Auditors should describe controls currently in use to detect integrity breakdowns and whether they were bypassed in the items referred.

- Comments on discussions previously held with the OI and the results of these discussions. Whenever possible, investigative steps should be suggested.

Audit Managers should consider discussing key issues of referrals not warranting investigation with operational management since these issues may warrant corrective action. Regardless, case dispositions should be documented in audit workpapers. See **Section (300)-70.6** for detailed instructions on how referrals should be processed and routed.

Auditors may also identify potential unauthorized accesses to taxpayer records (UNAX) leads from audits or receive reports of potential leads from management or other sources. The potential UNAX leads should be referred to the SAC responsible for the geographical area or employee category as outlined in the OI's **Section (400)-290**.

60.3.4.2   <u>Providing Assistance to the Office of Investigations</u>. The objective of providing OA assistance to the OI is to lend technical support, when needed, to investigations of employees, contractors, vendors, and/or grantees suspected of, or alleged to have committed, breaches of integrity.

Assistance to the OI could include the following:

- Providing computer assistance.

- Reviewing IRS records or other documentation involving potential integrity violations.

- Participating with OI special agents in interviews of employees or third parties.

- Testifying in criminal court and administrative proceedings, as needed.

Audit Managers should ensure experienced auditors are available to assist OI special agents with information about IRS functions and controls.

When case reviews or in-depth research is needed to assist the OI, Audit Managers should determine which of their auditors is available and best qualified to provide assistance.

Assistance provided to the OI that does not exceed 10 staff days should be charged to the general Investigation Collaterals (20xx0910) project number. For requests exceeding 10 staff days, Audit Managers should obtain an individual project number.

For requests estimated to last more than 10 days, Audit Managers should ask that the OI prepare formal memoranda requesting OA assistance. These memoranda should be addressed from the requesting Assistant Inspector General for Investigations (AIGI) to the appropriate AIGA with a copy provided to the appropriate OA Director.

When the assistance is completed, a memorandum should be prepared outlining the results of the OA's assistance. The memorandum should contain a statement describing what internal controls were reviewed and any control weaknesses found. If no internal control review was performed, the closing memorandum should have a statement that no review was performed. The closing memorandum should be:

- Forwarded by the Director to the AIGA for review.

- Forwarded by the AIGA to the DIGA for signature.

- Transmitted to the requesting AIGI.

- Cross-referenced to the original OI memorandum control number.

- Maintained in the TeamMate+ project files.

60.4   Computer Matching Policy.
Computer matching is an efficient and feasible method of performing comprehensive analyses of employee, taxpayer, and tax administration data in order to prevent and detect fraud, waste, and abuse in the programs and operations of the IRS and related entities. TIGTA's use of computer matching includes proactive efforts to detect fraud and prevent misuse of IRS computer data, systems, and operations. Further, TIGTA utilizes computer matches to create models to identify alleged misconduct and control weaknesses.

The Inspector General (IG) Empowerment Act impacts computer matching agreements and the OA policy for matching Federal or non-Federal systems of record.

Generally, the Computer Matching and Privacy Protection Act ("Computer Matching Act" or "Act"), codified at 5 U.S.C. § 552a, previously required TIGTA to have a written agreement in order to conduct a computer "matching program," as defined by the Act, with a Federal or non-Federal agency. Pursuant to Treasury Directive 25-06, TIGTA regularly reported to the Treasury Data Integrity Board about TIGTA's computer matching activity.

In December 2016, the IG Empowerment Act, Pub. L. No. 114-317, was enacted. Generally, the IG Empowerment Act excludes from the Computer Matching Act's definition of "matching program" a computer match performed by an IG, or by an agency in coordination with an IG, in conducting an audit, investigation, inspection, evaluation, or other review authorized under the IG Act. As a result, TIGTA no longer has to enter into computer matching agreements for computer matches conducted by TIGTA, or by agencies through coordination with TIGTA, to the extent that such matches are related to an audit, investigation, inspection, evaluation, or other review authorized under the IG Act.

Although the IG Empowerment Act no longer requires TIGTA to enter into formal computer matching agreements for the matches it performs, TIGTA remains under the authority of the Treasury Data Integrity Board by virtue of Treasury Directive 25-06. For this reason, OA will continue to track data related to its computer matches in the event the Data Integrity Board requests information about TIGTA's matching activity.

TIGTA and the IRS entered into a computer matching agreement that went into effect March 10, 2017. (The computer matching agreement can be found in the Internal Management Document System (IMDS) in the TIGTA Numbered Memos tab/). The agreement sets forth the terms under which TIGTA will match Department of Treasury/IRS computerized data to detect and deter fraud, waste, and abuse concerning activities of the IRS and the IRS's Office of Chief Counsel as well as to identify IRS and IRS Counsel employees and former employees who have violated or are violating laws, rules, or regulations; and to protect against external attempts to corrupt of threaten the IRS or its employees. Although exempt from the formal requirements of the Computer Matching Act, the OA will conduct computer matches pertaining to a specific audit objective, strategic planning, or proactive testing and will continue to ensure adequate controls over data integrity, record disposition, safeguards, records usage, and disclosure.

System of Records
A system of records is a group of records under the control of any agency from which information is retrieved by the name of the individual or by some identifying number, symbol, or other identifying particular assigned to the individual. The computer matching agreement identifies various systems of records maintained by the IRS and the Treasury Departmental Offices. This agreement shows a sampling of records that can be used in completing audit objectives, as employees may match other systems not specifically listed in the existing computer matching agreement, when appropriate.

Data Reliability
Employees will take appropriate steps to verify that data used in and produced because of computer matches are reasonably complete and accurate, meets the intended purposes, and is not subject to inappropriate alteration. Employees should perform

those tests considered necessary to support an opinion on the reliability of the data and to accomplish the overall objectives of the matching. Employees are not expected to ensure that all possible errors are detected, but that the data are sufficient and appropriate for their specified purpose. Employees will resolve or document any discrepancies or inconsistencies. See **Section (300)-60.3.3** for more information on OA policy regarding data reliability.

Disposition of Data
All matches performed and all information obtained from computer matches will be maintained in accordance with applicable Federal privacy laws and retained in accordance with record retention schedules. Specifically, workpapers and electronic TeamMate+ workpapers will be maintained in accordance with TIGTA's retention schedules. See **Section (300)-60.12.1** for typical documents maintained in the TeamMate+ or audit control files. The retention period for TeamMate+ files is five years.

Security Procedures
All information obtained and/or generated as part of TIGTA's computer matches will be safeguarded in accordance with the provisions of the Privacy Act and 26 U.S.C. § 6103, if applicable, as well as TIGTA record safeguarding requirements which will conform with TD 80-05, Records and Information Management, and TD P 71-10, Department of the Treasury Security Manual. Also, matches will comply with the standards of OMB policy M-06-16, Protection of Sensitive Agency Information, requiring that sensitive information, including all Personally Identifiable Information (PII) be protected at all times.

Record Usage Documentation
There must be a legitimate reason to perform any computer match. As such, all planned computer matches must meet a specific audit objective or business need. The Audit Plan, Integrity Project Plan, Research Project Plan, and other applicable workpapers should document the systems of records being used, how the data will be used for matching purposes, and the specific audit/business objective to be achieved. These plans should be approved by the respective AIGA or designee before performing the analysis. In addition, because the Treasury Data Integrity Board may request TIGTA to report computer-matching data, the audit team should also include in the workpapers the date the match was performed, the auditor performing the match, the number of records in the final result, and the hours spent performing the match.

Disclosure
The information collected or generated as part of any computer match may only be disclosed in accordance with the provisions of 5 U.S.C. § 552a, 26 U.S.C. § 6103 (if applicable), any other applicable Federal privacy provisions, and any applicable Memorandum of Understanding with a source agency.

60.5   Requesting Data Extracts Assistance.
Some audits may require support from the Data Extracts team. Requests for programmer assistance in accessing IRS information must have approval at the OA manager level (Audit Manager or higher) and be in direct support of an official IRS audit or investigation.

An automated InfoPath Form 7550, Request for Data Services, will be used to streamline, document, and track fulfillment of requests for services. The Form can be accessed through the TIGTA intranet homepage.

After approval by the Data Extracts Manager, the request will be assigned. The auditor will be provided with an estimated delivery date for the requested output.

60.5.1   Responsibilities of Data Extracts Services Related to the Reliability of Computer-Processed Data. Each Data Extracts specialist is responsible for validating the data he or she extracts to fill requests. This validation process includes run-to-run balancing and ensuring that the entire file was used with no gaps in the access or extraction of the data. Other validation methods used (where applicable) are to:

- Validate the final output data back to source file data.

- Verify data using the Integrated Data Retrieval System command codes.

- Use source documents such as tax returns and posting documents.

- Check output data for "reasonableness" and expected output volume.

Once the delivery of data are complete and the audit team is satisfied with the output, the Data Extracts specialist will provide the Data Verification and Validation Form to the audit team to outline the steps taken to ensure the data are accurate.

60.6   Audit Plan.
An audit plan should be prepared for each review, using the template found in the TeamMate+ software program. The audit plan consists of the following elements located within each electronic audit file: the Audit Methodology and Objective document, and the Sub-Objectives and Tests folders. These elements should be used in conjunction with each other throughout the audit to manage the work. Each of these elements should be reviewed and updated as necessary using an audit addendum to reflect significant changes that occur during the audit.

The plan is developed only after the audit team has conducted enough planning work using survey techniques to assure an understanding of the area being audited and the

related control systems. Generally, 30 days should be adequate to accomplish this familiarization process.

Auditors should define the audit's overall objective, sub-objectives, scope and methodology to achieve that objective, and sampling plan within the Audit Methodology document. The Audit Methodology document (the audit plan template) includes the following sections:

- Introduction: Background, Specific Risks (including risk for fraud, waste, or abuse and the internal control assessment), Survey Results, Results of Research of TIGTA/GAO Reports, and Discussion of Fraud Risk.

- Audit Methodology: Electronic Data Sources, Sampling Plan, Methodology for Selecting Audit Sites, Validation of Computer-Processed Data and the Methodology for Measuring Outcomes.

- Overall Audit Objective (includes the Sub-Objectives and Tests section).

- Audit Staff Assigned.

- Audit Milestones: Planned Date Information, Planned Staff Days, and Planned Cost Data.

- Audit Plan Approvals.

The Sub-Objectives and Tests section should consist of the detailed audit objectives, tests, and scope of review that support the overall objective. The sub-objectives and tests establish the process to be used in accomplishing the overall objective. They identify the audit subjects and performance aspects to be included, as well as the potential finding and reporting elements that the auditors expect to develop. Audit objectives can be thought of as questions about the program that auditors seek to answer. These objectives are set based upon the risk assessment process, which identifies the key areas of vulnerability. Tests should be included for consultation with the Office of Chief Counsel to obtain assistance in assessing the legal implications and to obtain interpretations of laws and regulations, when necessary.

Note: The sub-objectives and tests should be indexed to the workpapers at the conclusion of fieldwork. This process will help ensure that the audit team has addressed all sub-objectives and tests as outlined in the audit plan.

The Audit Milestones portion of the Audit Methodology and Objective document reflects the time frames, resources, and costs for completing audit work. It consists of

anticipated completion (contract) dates for each audit phase including calendar and staff days, travel costs, and audit locations. When establishing the contract date, various factors such as staff competencies and development, leave plans, referencing time, computer support needs, and the complexity of the issues should be considered. These factors, and others, will be evaluated to determine their impact on the timely delivery of the final audit report.

All audit plans will be forwarded to the AIGA for approval after review by the Director. Planned audit objectives and tests should be approved by management before they are carried out. The Audit Plan Approvals portion of the Audit Methodology and Objective document is used to document management's approval of the audit plan.

The Audit Plan Approvals section will include the names of the designated non-managers authorized to review workpapers and the types of workpapers that may be reviewed and approved. This section will also include the period of time each individual is authorized to review and approve workpapers. Changes to authorized reviewers must be documented in an audit plan addendum.

Audit plans will be approved and signed before the issuance of an engagement letter.

The audit plan elements should be updated, as necessary, to reflect any significant changes (such as changes to the Audit Milestones, the addition or removal of any audit tests or sub-objectives, etc.). Internal factors warranting a change to the audit plan are the OA's economic condition, staff changes, or expansion or reduction of scope. External factors may involve IRS organization and management changes or management requests.

Subsequent addenda to audit plans should be approved by the Director and AIGA. Auditors will document in the workpapers when a section of the plan is removed or amended. Any unusual situations, such as not fully meeting the final objectives because of changes, should be documented.

The significant changes to audit plan elements should be approved and tracked using an audit addendum. Auditors should summarize the significant changes made to the audit plan elements in an audit addendum document. Subsequent iterations will follow the same review/authorization procedures used to obtain approval of the original audit plan elements (refer to **Exhibit (300)-60.2**) and be controlled within the audit file.

60.6.1   <u>Suspensions of Audits</u>. The OA has become more involved in providing analyses to stakeholders, which may require suspension of our normal audit workload. Audits can be placed in suspension status without calendar days accumulating. The suspension status can be used when an audit has been placed on hold with no time

being charged because another priority (*e.g.*, Congressional request, testimony, *etc.*) arises. The process to put an audit in suspension status will be as follows:

- The audit team will complete an audit plan addendum requesting approval for change in status.

- The AIGA will approve the change in status and notify the Staff Advisor.

- The Staff Advisor will send a copy of the audit plan addendum via email to the Management Information Systems Administrator (MIS Administrator) with the approved suspension date. The email should include the audit number being suspended and the date of the suspension.

- Once the audit is resumed, the Staff Advisor will notify the MIS Administrator of the restart date.

When the final report has been issued, the time the audit was held in suspense status will be deducted from the total calendar day calculation.

60.7   Communications with Management.
Professional auditing standards state that planning should include communicating with all who need to know about the audit and determining how, when, and to whom audit results will be communicated. Auditors should use their professional judgment to determine the form and content of the communication. If the information is communicated orally, the auditors should document the communication in the workpapers.

TIGTA is authorized to conduct audits relating to the programs and operations of the IRS, as well as related entities. Legal provisions require that auditors be given full cooperation, assistance, and access to all Government property, personnel, and records in any form, including all computer systems and databases, in carrying out official duties.

- To foster a productive working relationship between the OA and IRS management, the OA's practice will be to inform the IRS of planned audit activities prior to making contact with technical personnel or visiting IRS sites. The IRS Commissioner has identified the Enterprise Audit Management as the IRS's designated contact point with the OA. Generally, at the start of the audit, the audit team should coordinate with the IRS liaison and cc the Enterprise Audit Management mailbox to schedule the opening conference and obtain audit information. During the course of the audit, audit teams may continue to directly contact IRS employees to obtain additional information. When applicable, the teams should cc: the liaison if necessary.

- If the audit team encounters a sensitive issue where OA would like to make direct contact with an IRS employee <u>outside a normal audit</u>, the Audit Manager or Director should send an email to Enterprise Audit Management with high-level specifics. This will enable Enterprise Audit management to ensure that IRS management is aware of our request in the event concerns are raised. There may be situations where OA cannot send a courtesy email due to the nature of the assignment. In those cases, the audit team should notify their AIGA and the AIGA, Management Planning and Workforce Development, of its intent to do so before making contact so that OA is prepared to address any concerns that may be raised.

IRS management will be informed of all OA audits through an engagement letter. The engagement letter will be signed by the DIGA and addressed to the Commissioner of the appropriate IRS operating division(s) or functional office head, with the IRS Commissioner and the Director, Enterprise Audit Management on the Memo "CC" line when one or two operating divisions or separate IRS entities are involved. If three or more IRS operating divisions or separate IRS entities are involved in the audit, the engagement letter should be addressed to the appropriate Deputy Commissioner, with the operating division Commissioner, the IRS Commissioner, and the Director, Enterprise Audit Management, on the Memo "CC" line. A copy of the engagement letter will be provided to the Director, Enterprise Audit Management, prior to making contact with technical personnel, visiting IRS sites, or requesting an opening conference. Enterprise Audit Management personnel will forward copies of the engagement letter to the appropriate IRS executives, field executives, and functional TIGTA liaisons.

Management Assistants or Staff Advisors are responsible for e-mailing the engagement letter to appropriate TIGTA staff (*e.g.,* the AIGA and Director, I&E) AND to the Enterprise Audit Management.

If the audit was included in a prior fiscal year audit plan, then the engagement letter language should be modified to state that the audit was included in our Fiscal Year (or other prior year) Annual Audit Plan. See **Exhibit (300)-90.4**, Audit Product Distribution Procedures, for the procedures for addressing engagement letters.

At a minimum, the engagement letter will include the following elements:

- The TeamMate+ audit number on the engagement letter's subject line.

- Objectives and sub-objectives of the audit.

- Offices included in the review.

- Deliverables and estimated completion dates (*e.g.*, draft/final report).

- Authority to Access Information.

- Initially identified functional personnel the OA needs to contact.

- Any special considerations such as space, telephone access, and other logistical items.

- TIGTA executive liaison (*i.e.*, respective AIGA).

- TIGTA contact point(s).

The OA will also include the Deputy Inspector General for I&E (IG:IE) as a recipient of OA engagement letters.

The respective AIGA will notify the Enterprise Audit Management, in writing, if any of the original items outlined in the engagement letter need to be revised. For example, fieldwork locations are changed, the scope of the review is expanded, or the time frames substantially change for completion of the review.

These communications are intended as a courtesy and to facilitate completion of the audit. Throughout the audit process, the audit staff must maintain an objective and independent attitude when working with the auditees.

Under certain circumstances, OA activities do not warrant any formal opening contact, including an engagement letter or IRS executive level discussions. These situations may include planning and research activities (*e.g.*, audit planning or surveys, gathering information for congressional requests, annual audit planning, *etc*.) and integrity projects. While Enterprise Audit Management personnel will be responsible for informing other IRS officials (including TIGTA liaisons and IRS field managers, as appropriate) of the OA's planning and research activities, it will be the responsibility of OA personnel to schedule meetings with IRS managers and technical personnel.

60.7.1 <u>Access or Information Request Denials</u>. TIGTA employees are authorized to access data and facilities needed to perform their duties. Access is authorized by the following:

- Access to tax returns and return information is authorized by the following:

  - Inspector General Act of 1978, as amended (IG Act).

- Treasury Order 115-01.

- Internal Revenue Service Restructuring and Reform Act of 1998.

- Internal Revenue Code (I.R.C.) § 6103(h)(1).

- Access to other types of records is authorized by the following:

  - IG Act.

  - Treasury Order 115-01.

  - Federal Acquisition Regulation (FAR) Clause 52.215-2, 52.212-5(d), 52.214-26.

- Access to all records and facilities including computer facilities is authorized by:

  - Treasury Order 115-01.

- I.R.C. § 6103(a) states that tax returns and return information must remain confidential unless an exception applies. The Office of Chief Counsel will assist the OA with the determination of whether an exception applies.

- I.R.C. § 6103(h)(1) authorizes disclosure of returns and return information to Treasury employees for performance of official duties for tax administration purposes. I.R.C. § 6103(h)(1) authorizes TIGTA employees to have access to returns and return information as needed to perform their tax administration responsibilities.

- I.R.C. § 6103(p)(4) requires certain safeguards, including:

  - Permanent system of standardized records for requests for returns or return information.

  - Secure area or place for storage of returns or return information.

  - Access limited only to employees with need to know for official duties.

Informing the IRS in the engagement letter and at the entrance conference that the audit involves reviewing case files may prevent access issues during the audit.

- When access is denied, the auditor should follow these procedures:

- Provide the basis for TIGTA to obtain access:

  o IG Act § 6(a)(1) and §8D(e.)

  o Treasury Order 115-01 paragraph 2 a. (1) and (2).

  o I.R.C. § 6103(h)(1).

- Access issues should be resolved at the lowest level possible and resolved as soon as possible by:

  o Following up with the IRS employee when information is not provided on date promised.

  o Informing your Audit Manager when information is not received on date requested.

- Elevate the situation based on these general guidelines:

  o The Audit Manager elevates the problem to the Audit Director if information is not received within **one** week of requested date.

  o The Audit Director elevates the problem to the AIGA if information is not received within **two** weeks of the requested date or the date agreed to by the Audit Director.

  o The AIGA consults with the Office of Chief Counsel and elevates the problem to the DIGA if information is not received with **three** weeks of the requested date.

  o The DIGA elevates the problem to the Inspector General if the information is not received within **five** weeks of requested date.

Documentation is needed if the Office of Chief Counsel becomes involved in resolving the access issue. Access issues should be documented with the following information:

- The name and title of the IRS employee denying access.

- The date access was denied.

- The type of access denied. (*e.g.*, tax return or return data, physical access to an IRS facility, the IRM, unpublished data, *etc.*).

- The IRS's reason(s) for denying access.

- TIGTA's attempts to resolve the issue.

- When and how the issue was resolved.

- The effect on the audit (*e.g.,* delay, scope limitation**,** *etc.*).

The following table summarizes the process for elevating an access problem:

Level 1	Level 2	Level 3	Level 4	Level 5
Audit Manager IRS Director within Operating Division	TIGTA Director IRS TIGTA Audit Liaison IRS Commissioner/ Chief of respective Operating Division	TIGTA AIGA IRS Supervisory Management Analyst – Legislation and Reports Branch IRS Deputy Commissioner or Chief	TIGTA DIGA IRS Commissioner IRS Director, Enterprise Audit Management	TIGTA IG Treasury Secretary

While the IG Act allows TIGTA access to documents, data, facilities, employees, *etc.*, TIGTA employees must use professional judgment while trying to resolve the issue.

For more information on TIGTA employee access to IRS records, please see TIGTA Operations Manual **Section (700)-120.**

Return information retains its protected/confidential character under I.R.C. § 6103 even when identifiers are removed.

- TIGTA employees are subject to I.R.C. § 7213A regarding unauthorized inspection (access) of returns and return information. Penalties for noncompliance include:

  - Fine up to $1,000.

  - Up to one-year imprisonment.

  - Paying the cost of prosecution.

  - Dismissal from TIGTA upon conviction.

- TIGTA employees are subject to I.R.C. § 7213 regarding willful unauthorized disclosure of returns and return information to a third party. Penalties include:

  - Fine up to $5,000.

  - Up to five years' imprisonment.

  - Paying the cost of prosecution.

  - Dismissal from TIGTA upon conviction.

- TIGTA is subject to civil liability under I.R.C. § 7431 for knowing or negligent disclosure of return or return information. Penalties include:

  - Pay the taxpayer the <u>greater</u> of $1,000 for each act of unauthorized inspection or disclosure, or

  - Plaintiff's actual damages, <u>plus</u> punitive damages (in the case of willfulness or gross negligence), <u>plus</u> the costs of litigation including reasonable attorney's fees.

60.8   <u>Executive Liaisons</u>.
At the beginning of an audit, the Enterprise Audit Management will identify the appropriate Audit Coordination analyst to serve as the IRS's coordination point on the review. The IRS executive will assist in resolving major problems encountered during the audit execution phase.

60.9   <u>Opening Conferences</u>.
The purpose of an opening conference is to inform the IRS Commissioner, or his designee, of the review objectives, to solicit opinions and concerns, and to begin working on expected outcomes and commitments to take corrective actions.

When ready to initiate audit fieldwork, OA personnel will coordinate an opening conference with the lead IRS stakeholder. Enterprise Audit Management personnel may coordinate the opening conference and attend if necessary. OA personnel may directly contact any IRS employee they determine is relevant to the scope of the audit once the engagement letter is provided to the Enterprise Audit Management. In addition, auditors will have direct, unrestricted access to IRS personnel and records.

The following individuals should be invited to attend the opening conference:

- The DIGA, at his/her discretion.

- The AIGA and/or assigned Director.

- Pertinent audit team members (including Audit Managers).

- Enterprise Audit Management representatives.

- Appropriate IRS executive level official(s).

- Appropriate functional staff members.

The opening conference process should:

- Include discussions with all appropriate officials who need to be informed of planned audit objectives.

- Give these officials the opportunity to provide comments or concerns they have relating to the review or other areas.

- Include a discussion of potential outcomes and obtain management's input and commitment to cost-effective solutions.

- Reach an agreement on the designation of the management official who will be responsible for responding to the audit report.

- Reach an agreement on any logistical needs, such as temporary space, access to telephones, data line, *etc.*

After the initial opening conference is held, additional contacts with IRS management may be initiated at the discretion of the respective AIGA or assigned Director.

The OA's audit staff will discuss pertinent issues throughout the audit with the IRS personnel responsible for taking corrective action. In addition, the e-mail system may be used to provide timely notification to IRS management of identified issues.

During each opening conference, the audit team should explain to the respective IRS executive the extent to which planned OA audit testing duplicates GAO audit testing, if any. If there is actual overlap, the participating AIGA should explain why such repetitive coverage is necessary. The OA has placed links on the OA website to electronically available information on GAO audits of IRS functions (*i.e.*, periodic updates of GAO audits in process, identification of final reports issued, and audit initiation letters).

60.10 Fieldwork Testing.
There are many techniques for fieldwork testing. Auditors may develop new techniques by using their imagination and ingenuity. Among established auditing techniques are interviewing, observing, sampling, verifying, and conducting confirmation programs. See **Section (300)-80** for specialized Audit Techniques.

Auditors should focus on objectives throughout the review cycle, from development of the initial proposal for review through preparation of the final report. To this end, all members of the audit team should meet at appropriate intervals throughout the audit process to discuss the project status, the significance of issues being developed, and whether objectives need to be changed. The timing for these meetings should be based on the planned project/objective completion dates as well as the need for such meetings. Whenever possible, the Director charged with project oversight should also be involved in these meetings throughout the audit process, as opposed to post-review involvement.

Audit managers and auditors should ensure that team meetings are documented in the TeamMate+ project file.

60.11 Direct Communications with Taxpayers.
Occasionally, auditors must directly communicate with taxpayers and other knowledgeable parties to obtain and verify information. Two reliable methods are confirmation letters and telephone interviews. These methods can be used to determine the:

- Completeness of payment processing.

- Accuracy of IRS tax and general ledger accounts.

- Promptness and adequacy of taxpayer contacts.

- Efficiency and effectiveness of follow-up actions.

- Effectiveness of controls designed to deter and detect integrity breaches.

- Propriety of actions taken in closing delinquency accounts and investigations.

See **Section (300)-80.7** for more details on procedures for confirmation letters and other written correspondence with taxpayers.

Auditors who make direct telephone contacts with taxpayers or their representatives should be familiar with disclosure laws and regulations.

- TIGTA Manual **Section (700)-50** contains a discussion of the disclosure provisions contained in I.R.C. § 6103. Auditors should contact the Office of Chief Counsel for assistance with specific cases or problems.

- Disclosure laws do not prohibit the acceptance of information voluntarily provided to the OA.

- Auditors may discuss a taxpayer's account in detail with third parties only when the taxpayer provides written authorization pursuant to I.R.C. § 6103(c).

60.12   Audit Workpapers.
Auditing standards require the preparation of orderly records that support the audit process from planning to the issuance of OA documents. These records are called workpapers and include, but are not limited to:

- Spreadsheets, databases, or other statistical analyses.

- Data methodologies.

- Records of discussion.

- Correspondence documents.

- Auditee policies and procedures.

- Workpaper summaries.

Workpapers:

- Provide evidence that supports the adequacy of review and development of findings resulting from audit testing.

- Have permanent and recurring value, in that they can be used in the planning of future projects/audits.

- Document the audit team's conformance with the GAGAS and/or document the reasons for non-conformance.

- Facilitate the supervisory review of work accomplished.

- Provide documentary evidence for evaluating an auditor's performance.

Access to OA workpapers (*i.e.*, electronic/paper files) should be limited to authorized individuals. Security measures should account for day and night security. Workpapers (*i.e.*, paper files) are required to be kept in locked storage facilities when not in use. See **Section (300)-130,** Retention, Control, and Security of Audit Documents for more information on security.

Auditing standards do not require that all documents or cases reviewed be photocopied or scanned and included in the workpapers. The standards do require that sufficient information about the items reviewed be documented so that another auditor can re-examine the reviewed items, if needed. To this end, sufficient information about the items reviewed must be included in the workpapers.

60.12.1   Preparing Workpapers. All OA staff members are required to manage and control all workpapers supporting the draft and final audit report using the TeamMate+ software program in the Project Area. The OA staff will document all audit work in the TeamMate+ audit project file specific to each audit project. Each audit file will control documents created electronically (*e.g.*, with Adobe, Excel, PowerPoint, Word, *etc.*), scanned images, audio/video files, and/or references to paper files.

Every document researched, viewed and/or obtained during the course of an audit does not have to be included within the TeamMate+ audit file. However, all files or documents that are relevant to and support the planning, execution, findings, exceptions, and the draft and final report must be included. The TeamMate+ audit file must stand alone as a final container of all evidence needed to recreate the audit process and support the final report. If in doubt, please consult with your Audit Manager for final discretionary choices.

Database files (*e.g.*, Access, SAS) must not be included within TeamMate+ audit/project files. Instead, auditors should include the documented results and data methodology from their analyses as workpaper documentation. See **Section 300-(60).12.1.1** for additional information on preparing data methodologies.

TeamMate+ "best practices" should always be followed unless unusual circumstances arise or otherwise instructed by the TeamMate+ Project Manager and support team.

Working remotely while traveling, or without an internet connection, requires an off-line solution. The required offline solution is to utilize TeamMate+ Offline. TeamMate+ Offline is the most reliable and secure method of protecting and accessing your data when you are working without an internet connection or while traveling. Working locally with a secure TeamMate+ Offline file allows users to continue to work effectively while traveling or without internet access, and merge or sync this information when they have access to the internet again.

TeamMate+ audit work-breakdown structure (folder structure) outlining planning, auditing (component groups), and reporting phases should clearly distinguish between the planning and auditing phases. You can rename and reorganize your folders for planning, auditing (component groups), and reporting in any manner you feel best organizes your workpapers.

Backing up data within or outside of TeamMate+ is the responsibility of the auditor. Most applications, including TeamMate+, provide discretionary features for backing up data and work papers. Currently, a job runs nightly to backup TeamMate+ audit files on each server; however, this process does not backup data or workpapers locally installed on a user's laptop hard drive, including TeamMate+ Offline files. Users should backup local work periodically throughout the day.

The Indexing/Referencing Toolbar contains automated Word features to create/insert indices pointing to supporting documents and overall features for managing both the indexing and referencing process. These features are the most widely used and should be used by all OA staff as the standard for indexing and independently referencing audit reports. See **Section (300)-90.6** for more detail.

Prepare summary workpapers for specific steps and tests, as appropriate. Prepare procedure summaries for each sub-objective in the TeamMate+ file. All workpapers within the audit file should be relevant to the audit and/or support the findings and conclusions in the audit report.

At a minimum, workpapers (both electronic and paper) should:

- Directly relate to the current project or audit.

- Be clear and complete.

- Be signed off by the preparer and reviewer.

- Be appropriately indexed and fully identify the audit number; preparer's name; preparation date; audit plan objective; step number; source and purpose; audit period, if applicable; reviewer initials; and supervisory initials and review date.

- Provide an automated method to capture this information in the TeamMate+ workpapers. However, some items such as audit plan, objective, step number, source, and purpose may need to be added manually to TeamMate+ workpapers.

- Be summarized for each group of workpapers pertaining to a given topic. The best practice for preparing summaries is to use the TeamMate+ Procedure Summary feature.

In accordance with the American Institute of Certified Public Accountants Auditing Standards Board Statement on Auditing Standards *(SAS) AU Section 339.27, Audit Documentation*, TeamMate+ files will be closed within **60 days** following the report public release date. If the report is classified as sensitive or if the report will not be publicly released for other reasons, the associated TeamMate+ file will be closed within **60 days** following the date the report is issued to the IRS.

Any hardcopy workpapers must be shown in an electronic index file. The hardcopies should be placed in a binder or file and properly identified with the audit name, number, and date. See **Section (300)-130.2** for paper and electronic workpaper retention requirements.

Electronic storage media containing large databases determined to be needed to support audit findings should be included in the electronic index file. These devices should be properly labeled with the audit name, number, and date. These devices should be stored with the paper workpapers and have the same retention period. Storage media containing sensitive data should be stored in compliance with TIGTA Operations Manual **Section (500)-150.1**, Security.

Audit team members will ensure all auditing standards are met when determining the number of hardcopy source documents to be included in the TeamMate+ workpapers.

During the execution of an audit, OA staff should be mindful of the location on the TIGTA network and utilize TeamMate+ Offline when traveling or working without internet access.

60.12.1.1 Preparing Data Methodologies

When analyzing data files (sets), auditors should prepare a data methodology to support their analysis and results. The methodology should include:

- *Purpose* – a detailed explanation of the objective of the analysis performed.
- *File Location* – the exact location, including the path, of the SAS Enterprise Guide project file(s) (or other relevant project file) used.
- *Identification of Source(s) Used* – each data source used to perform the analysis, including (if applicable):
  - Link to the Data Reliability Assessment (DRA).
  - Link to the data request.
  - Location (*e.g.*, Shared Limited Access Data (LAD) workspace path).
  - File name.

- o Record count.
- *Methodology* – a detailed explanation of the steps performed and the results obtained, including (if applicable):
  - o Reference to the part of the SAS Enterprise Guide project file (or other relevant project file) that is applicable to the specific step (*e.g.,* process flow).
  - o Narrative explaining what steps were performed and why, including the support/criteria for why certain conditions were chosen or not chosen. Be sure to reconcile technical field names to their descriptive names, and include a reference to source documentation, if available.
  - o Technical description of how each step was executed. Documentation of technical components may be in the form of screen shots, copies of executed SAS log, narrative descriptions, or a combination thereof.
  - o Documentation of accuracy checks performed.
    - Accuracy of query results.
    - Validation of records back to the source file.
    - Review of records for reasonableness.
  - o Documentation of anomalies or unusual observations (if not already identified through the DRA).
  - o Summary of the key results, particularly those that will be reported.

The audit team should consult with the ART Data Analytics team to review the associated data methodology if the data analysis results in the projection of financial outcomes of $1 billion or more.[3] This should be done as early as possible in the audit process and will provide the OA with additional assurance that significant financial outcomes are supported by conclusive data work. If resources are available, the ART Data Analytics team will reference the data methodology documented by the auditors. (Note: If ART Data Analytics worked with the audit team in developing the data methodology, then the Data Analytics Manager will assign a staff member not previously involved to ensure independence in the referencing process.)

60.12.2 Workpaper Reviews. The GAGAS Fieldwork Standards (GAGAS paragraph 8.135) require audit documentation that shows evidence of supervisory reviews of audit work performed. Audit Managers or designated Senior Auditors must carefully review and sign off on all workpapers (including audit tests and exceptions) to ensure quality audits are conducted and results are appropriately documented. The Audit Plan Approval section will include the names of the designated non-managers authorized to review workpapers and the types of workpapers that may be reviewed and approved. This section will also include the period of time each individual is authorized to review

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[3] Includes the collective total of questioned costs, funds put to better use, increased revenue, and revenue protection outcome measures.

and approve workpapers. Changes to authorized reviewers will be documented in an audit plan addendum.

The Audit Manager or designated Senior Auditor must review all audit workpapers as timely as possible after the workpapers are designated as ready for review. Timely review of workpapers helps the OA comply with the GAGAS Fieldwork Standards for Performance Audits. Timely review of workpapers addresses two Fieldwork Standards: Supervision and Audit Documentation.

Workpaper reviews should assess conformance with GAGAS, adherence to the audit plan, and adequacy of the work used to support positive or negative findings. The Audit Manager must review any workpapers that will support the audit findings/outcomes. A Senior Auditor may not approve an Audit Manager's workpapers. These must be reviewed by a Director or AIGA.

Audit Managers are responsible for ensuring that auditing standards have been met. If it is determined that a particular standard has not been met, the Audit Manager should document this decision in the workpapers and disclose in the report the circumstances and the known effect of not following the standard. The decision should be approved by the respective Director and AIGA. This can occur during on-line audit status meetings or during the review of the audit report. However, the Director and AIGA should be advised of the decision as soon as possible.

Workpapers must be appropriately reviewed before any document based on them is issued. Questions or feedback arising from these reviews should be recorded within the TeamMate+ audit file using the Coaching Notes feature that routes comments directly to the preparer of the reviewed workpapers.

Coaching notes should be used to provide feedback on individual workpapers. By using coaching notes, a record of the feedback and supervision will be maintained. Coaching notes will contain appropriate content, and notes will be retained as appropriate.

An auditor's responses to the Coaching Notes should include:

- Notations of changes to workpapers.

- Comments that provide more support for the auditor's position for the Audit Manager or Senior Auditor to reconsider.

- Sign-off by the auditor when the comment is addressed.

Supervision encompasses much more than workpaper reviews and coaching notes. Supervision is also evident by: status briefings, team meetings, participation in

meetings and interviews with the auditees, verbal feedback, and other such oversight activities. Audit supervision involves providing sufficient guidance and direction to staff assigned to the audit to address the audit objectives and follow applicable standards, while staying informed about significant problems encountered, reviewing the work performed, and providing effective on-the-job training. When assessing the adequacy of supervision, all forms must be considered. On any particular audit, you may use a variety of methods including direct, face-to-face contact between the supervisor and subordinate and indirect contact. Direct face-to-face contact includes observation, discussions, and coaching. Indirect contact includes phone conversations, written correspondence, and electronic exchanges.

60.13   Elements of Findings.
All elements of a finding must be fully developed. Elements of findings include:

- **Condition** – describes actions or situations as they are. In compliance reviews, conditions identify the differences between what is and what should be. In economy and efficiency reviews, they describe the ways that systems or programs do not achieve desired results or organizational goals.

- **Criteria** – describes what should be. Criteria should be clear, convincing, and free of subjective bias. Sources of criteria include, but are not limited to:

  - The IRM.

  - Auditee Desk Procedures.

  - The GAO's *Government Auditing Standards* (Yellow Book).

  - AICPA Statements.

  - Information Notices.

  - National and local circulars and memoranda.

  - Sound business decisions and common business practices.

  - Laws and regulations.

- **Cause** – describes the environment that allowed conditions to happen or exist. Identification of cause is essential before corrective actions can be taken. Unless root causes are known, actions taken to correct conditions may address only symptoms and not fully address problem areas. Sometimes one cause can be the result of a deeper problem. In these cases, the lesser cause becomes a

condition and the deeper cause is further developed. This process is called "elevating the cause."

- **Effect** – describes the impact conditions made or will make on the IRS. Effects are quantified, whenever possible, thoroughly analyzed, and judged significant in relation to organizational policies, programs, or missions.

- **Recommendations** – The OA makes high-impact recommendations that will improve IRS programs and tax administration. Audits are focused on:

  - Making significant, cost effective recommendations that have been developed actively with management throughout the audit.

  - Establishing accountability for whether corrective actions were implemented and achieved the intended result.

All potential findings should be documented within the TeamMate+ audit file. Findings documented in TeamMate+, reported and non-reported, will become a valuable resource as part of the OA's knowledge management system. This data will be a valuable tool for future new-hire training, risk assessments, research and planning, and as a template resource to build future audit project and program objectives.

60.14   Office of Audit Recommendations.
Reducing costs and improving the effectiveness of Government are major goals of audit organizations. To achieve these goals, audit organizations must make high-quality recommendations and work with those who will implement them to realize the intended benefits. Recommendations state what an audit organization believes should be done to accomplish beneficial results. They must be substantive, action-oriented, convincing, and fully developed. Costs, benefits, and risks should be considered and analyzed to ensure that recommendations do not create additional problems while alleviating immediate areas of concern.

In formulating sound recommendations, auditors must question:

- **The operational efficiency of controls**. If IRS controls are not operating efficiently, can constructive measures be recommended to assure they will?

- **Possible conflicts with laws and regulations**. If IRS procedures, programs, and/or operating practices conflict with laws or regulations, are they impractical? Should they be changed? Are potential recommendations practical and cost effective?

- **Management systems for measuring performance**. If IRS management has not established an adequate system for measuring whether specific program goals are satisfactorily achieved, what can be recommended that will result in more effective systems?

- **Internal and external communications**. If there is not adequate coordination and cooperation among IRS divisions or activities, what can be recommended to improve these relationships?

Since IRS management is responsible for corrective action, care should be exercised in making recommendations involving employees' rights and working conditions. Auditors should be fully aware of potential conflicts with National Treasury Employees Union contract provisions.

Auditors should address recommendations calling for changes in procedures, policies, directives, or systems to IRS executives with the authority to make changes.

Recommendations should be discussed with appropriate IRS management officials at an appropriate time prior to issuing the draft audit report to ensure that the recommendations are adequately supported, technically feasible, and consistent with prior or pending recommendations.

The OA's recommendations are presented to IRS executives in audit documents. Auditors and managers should stress to responsible management that recommendations are not directives but assistance in solving problem areas. Recommendations address the cause of conditions and advise management how to correct a process universally. They should be achievable by management. Refer to GAO publication GAO/OP-9.2.1, "***How to Get Action on Audit Recommendations***," available on the GAO website at ***http://www.gao.gov***.

60.15   Criteria for Recommending Cancellation of Internal Revenue Service Programs and Modernization Projects.
As part of TIGTA's responsibilities for auditing the IRS and making recommendations for improving economy, efficiency and effectiveness, auditors may sometimes need to determine whether to recommend that a program or modernization project be significantly modified or even cancelled.

In its report, *21st Century Challenges: Reexamining the Base of the Federal Government,*[4] the GAO discusses a proposed systematic reexamination process of Government programs. The process was developed to help Congress in reviewing and recommending the base of Federal spending and tax programs. The GAO drew the

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[4] **GAO-05-3255SP**, February 2005.

questions from its issued work, strategic plan, input from several Inspectors General, and the knowledge of GAO's staff.

The GAO notes that performance and analytic tools may be as important as, or more important than, specific process reforms in facilitating reexamination. The Government Performance and Results Act of 1993 (GPRA) provides performance metrics and plans which have led to a growing supply of increasingly sophisticated measures and data on the results achieved by various Federal programs. The OMB's Program Assessment Rating Tool (PART), which works to strengthen the links between GPRA information and the budget, will be used to rate the effectiveness of each program in the budget over a five-year period. The reexamination process proposed by the GAO would supplement the PART with a more crosscutting assessment of the relative contributions of portfolios of programs and tools to broader outcomes.

The GAO provides some broad generic reexamination criteria, at a macro level, that may be applied to any Federal program. **Exhibit (300)-60.3** shows the Illustrative Generic Reexamination Criteria included in this GAO report. In summary, the criteria include:

- Relevance of purpose and the Federal role.

- Measuring success.

- Targeting benefits.

- Affordability and cost effectiveness.

- Best practices.

At a micro IRS level, to determine if an IRS program or modernization project is accomplishing its intended mission, auditors should consider the following steps when evaluating programs at an agency level:

- Assess the purpose and mission of an audited activity and determine how it is structured to accomplish its mission.

- Review the internal control system being used to track, monitor, and control how the mission is being accomplished and to assess whether the program or project is on track to operate efficiently and effectively.

- Assess the "cause" if we find a program or project is not working or progressing properly.

- Recommend significant revisions to or even cancellation of a program or project if our assessment determines that its costs outweigh its benefits.

In keeping with the overall intent of GAO's proposed reexamination process, the following are examples of questions that could be used to assist in making a determination of whether an IRS program or modernization project should be cancelled:

- **Relevance of purpose**
  - Is the program accomplishing its intended mission or is it no longer needed?

  - Is the purpose of the program or project duplicated by another, more effective program or project?

- **Measuring success**
  - Is the impact of canceling the program or project minimal (*e.g.*, value to tax administration and impact on resources, staffing, taxpayer service, or compliance)?

  - Has needed technology to effectively operate/manage the program or project been developed or proven?

  - Does the program or project have customer support?

  - Has significant fraud, waste, or abuse been identified and/or referred for investigation?

- **Targeting benefits**
  - Do the benefits of a program or project exceed the costs, and do better alternatives exist?

  - Do the benefits of canceling the program or project outweigh the associated risks of canceling it?

- **Affordability and cost effectiveness**
  - Does the program have a negative return on investment and is the program not legislatively mandated?

  - Can the program be achieved in a significantly different or otherwise modified manner with a higher return on investment?

- **<u>Best practices</u>**
  - Do industry best practices indicate the program or project should be cancelled?

60.16 <u>Outcome Measures</u>.
The OA identifies eight major categories of outcome measures:

- Increased Revenue or Revenue Protection.

- Cost Savings (Questioned Costs/Recommendations That Funds Be Put to Better Use).

- Taxpayer Rights and Entitlements.

- Reduction of Burden on Taxpayers.

- Taxpayer Privacy and Security.

- Protection of Resources.

- Inefficient Use of Resources.

- Reliability of Information.

Outcome measures should assess the impact that OA products and services have on tax administration and business processes. In the draft report, auditors should attempt to quantify the impact of reported issues and the magnitude of recommended corrective action. If unable to do so, auditors should be able to determine the value or size of the audited entity, so the OA's impact can be reported. Examples of these two concepts are:

- **Impact on Tax Administration** – For burden reduction, this may be the number of unnecessary notices eliminated by changes to processing routines and may be expressed not only in numbers of notices but also in associated costs to both the IRS and the taxpayers in handling these notices.

- **Value or Size of the Audited Entity** – In reviewing adherence to controls in an IRS examination function, the OA may not be able to quantify a tax administration or business operations issue. It may be able to express organizational impact by the number of tax returns audited in Examination, dollars recommended for assessment, the number of employees or budget dollars in Examination, or some other factor that is relevant to the operation or entity reviewed.

The OA should consider methods for quantifying impact and determining information needed during the planning process. When possible outcomes are discussed during the planning process, audits should be more focused on relevant issues and should assist in the delivery of a quality, high-impact audit report.

For more information on outcome measures, see **Section (300)-90.25**.

60.17   Closing Conferences.
OA audit staff and IRS personnel responsible for taking corrective action will discuss pertinent issues throughout the audit period. In addition, the OA will issue memoranda, when necessary, to solicit management action, obtain agreement to the facts, or provide audit information. These memoranda will be issued to the IRS executive or head of office responsible for taking corrective action. The IRS response will normally be due within 15 calendar days of the memorandum issuance date. The respective AIGA will issue the memorandum. When a memorandum includes high-profile or contentious issues, a copy of the memorandum should be provided to the DIGA at least **three** workdays prior to issuance. Under certain circumstances involving high-profile or contentious issues, the DIGA may decide to issue the memorandum.

At the conclusion of fieldwork, the audit team will meet with IRS management to discuss the issues being included in the report, verify that information gathered is accurate, and obtain management's perspective on the audit issues and outcome measures. The IRS's complete concurrence at this meeting is not required before issuing the discussion draft report.

Within five days after issuing the discussion draft report, IRS management may request a formal closing conference to discuss the draft report's content, conclusions, recommendations, and outcome measures. The specific purposes of the closing conference are to:

- Discuss the discussion draft report and promote better understanding of review results.

- Help ensure there are no misunderstandings or misinterpretations of the facts gathered and presented in the audit findings and recommendations.

- Add perspective and balance to the OA report by considering management's assessment of audit results.

All closing conferences will be scheduled through the Director, Enterprise Audit Management, or the applicable TIGTA liaison for the IRS Business Unit. These

personnel will schedule, coordinate, and chair the closing conference, as well as identify conference participants.

The closing conference process should include discussions with all appropriate officials who need to be informed of review results. The process should provide management the opportunity to resolve questions relating to technical aspects and perspective of proposed audit findings. The conference should result in agreement to the facts and an understanding of the proposed corrective actions.

If requested by the IRS, a closing conference will be scheduled prior to the issuance of the draft report.

DATE: October 1, 2022

Exhibit (300)-60.1
Assessment of Internal Controls

Exhibit 60.1.docx

This matrix is designed to document the assessment of internal controls, including determining if internal control is significant to the audit objectives. The boxes below the column headings describe what information should be recorded in the column, the source of the information, and/or how that information relates to developing and reporting audit results. See GAGAS 8.39-8.58 for additional information.

Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal control is a process effected by management that provides reasonable assurance that the entity's objectives will be achieved. These objectives and related risks can be broadly classified into:

- **Operations** - Effectiveness and efficiency of operations.
- **Reporting** - Reliability of reporting for internal and external use.
- **Compliance** - Compliance with applicable laws and regulations.

The five components of internal control are:

- **Control Environment** – The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.
- **Risk Assessment** – Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.
- **Control Activities** – The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.
- **Information and Communication** – The quality information management and personnel communicate and use to support the internal control system.
- **Monitoring** – Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

Some factors that may be considered when determining the significance of internal control to the audit objectives include:

- The subject matter under audit, such as the program or program component under audit, including the audited entity's objectives for the program and associated inherent risks.
- The nature of findings and conclusions expected to be reported, based on the needs and interests of audit report users.
- The three categories of entity objectives (operations, reporting, and compliance).
- The five components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) and the integration of the components.

Exhibit (300)-60.2
Standardized Audit Plan Approval Format

AUDIT PLAN DESIGNATED NON-MANAGER REVIEWERS

Name of Authorized Non-Manager Reviewer (if applicable)	
Type of Workpapers Non-Manager Authorized to Review	
Period of Time Non-Manager Authorized to Review Workpapers	

Name of Authorized Non-Manager Reviewer (if applicable)	
Type of Workpapers Non-Manager Authorized to Review	
Period of Time Non-Manager Authorized to Review Workpapers	

AUDIT PLAN APPROVALS

Reviewed: /s/   **Date:**
Audit Manager

Reviewed: /s/   **Date:**
Director

Approved: /s/   **Date:**
Assistant Inspector General for Audit

Summary of Revisions to Audit Plan Elements:
[Note: This section should be included when submitting significant changes for management approval. The revised Audit Methodology and Objective document should be saved as a separate document to serve as an audit trail for revisions to the audit plan elements. Changes to the designation in the non-manager reviewers section of the audit plan must be made by an audit plan addendum prepared by the Audit Manager and reviewed and approved by the Director and the Assistant Inspector General for Audit.]

Exhibit (300)-60.3
Government Accountability Office's Illustrative Generic Reexamination Criteria

Relevance of purpose and Federal role	Does it relate to an issue of nationwide interest? If so, is a Federal role warranted based on the likely failure of private markets or state and local Governments to address the underlying problem or concern? Does it encourage or discourage these other sectors from investing their own resources to address the problem?
	Have there been significant changes in the country or the world that relate to the reason for initiating it?
	If the answer to the last question is "yes," should the activity be changed or terminated, and if so, how? If the answer is unclear as to whether changes make it no longer necessary, then ask, when, if ever, will there no longer be a need for a Federal role? In addition, ask, "would we enact it the same way if we were starting over today?" Has it been subject to comprehensive review, reassessment, and re-prioritization by a qualified and independent entity? If so, when? Have there been significant changes since then? If so, is another review called for?
	Is the current mission fully consistent with the initial or updated statutory mission (*e.g.*, no significant mission creep or morphing)? Is the program, policy, function, or activity a direct result of specific legislation?
Measuring success	How does it measure success? Are the measures reasonable and consistent with the applicable statutory purpose? Are the measures outcome-based, and are all applicable costs and benefits being considered? If not, what is being done to do so?
	If there are outcome-based measures, how successful is it based on these measures?
Targeting benefits	Is it well targeted to those with the greatest needs and the least capacity to meet those needs?
Affordability and cost effectiveness	Is it affordable and financially sustainable over the longer term, given known cost trends, risks, and future fiscal imbalances?
	Is it using the most cost-effective or net beneficial approaches when compared to other tools and program designs?
	What would be the likely consequences of eliminating the program, policy, function, or activity? What would be the likely implications if its total funding was cut by 25 percent?
Best practices	If it fares well after considering all of these questions, is the responsible entity employing prevailing best practices to discharge its responsibilities and achieve its mission (*e.g.*, strategic planning, organizational alignment, human capital strategy, financial management, technology management, acquisitions/sourcing strategy, change management, knowledge management, client/customer service, risk management)?

Source: GAO report, *21st Century Challenges: Reexamining the Base of the Federal Government*, **GAO-05-3255SP**, February 2005.

CHAPTER 300 – AUDITING

(300)-70   **Office of Audit Integrity Program**

70.1   Introduction.
The Office of Audit (OA) Integrity Program is a proactive effort to enable the OA to detect, deter, and help prevent fraud, waste, and abuse in Internal Revenue Service (IRS) programs. This includes refocused and increased engagement among Treasury Inspector General for Tax Administration (TIGTA) functions, collaboration with the Office of Investigations (OI), and increased communication with the IRS.

While IRS management has primary responsibility for establishing and monitoring all aspects of the IRS's fraud risk assessment and prevention activities and controls, as an oversight organization, the OA is responsible for evaluating and testing the IRS's fraud risk assessment, prevention activities, and controls. Assessing the risk of fraud is an ongoing process throughout the audit and relates not only to planning the audit but also to evaluating evidence obtained during the audit. Further, when information comes to the auditors' attention indicating that fraud, significant within the context of the audit objectives, may have occurred, auditors should extend the audit steps and procedures, as necessary, to (1) determine whether fraud has likely occurred and (2) if so, determine its effect on the audit findings.

For more information on identifying fraud, waste and abuse during the audit process, see **Section (300)-60.3.4** for more information.

70.2   Joint Integrity Board Charter.
TIGTA established a Joint Integrity Board, comprised of members from OA, OI, Inspections and Evaluations, and Counsel. The Joint Integrity Board is led by two executive co-chairs (one from OA and one from OI). The Assistant Inspector General for Audit (Management Planning and Workforce Development (MPW)) **provides executive leadership of the OA Integrity Program and serves as the OA Joint Integrity Board** Co-Chair. The Joint Integrity Board's goal is to ensure that the agency delivers a proactive Integrity Program to identify IRS program weaknesses and lapses in employee integrity. The Joint Integrity Board will provide TIGTA leadership with recommendations when integrity projects warrant a TIGTA-wide approach or when the integrity project is considered highly sensitive. The Board will act to support and enhance the overall TIGTA mission with a primary emphasis on promoting integrity in the administration of the tax laws.

To assist auditors with the administrative documents associated with integrity projects, the following templates can be found in the Audit Forms folder in Microsoft Word and in the templates section of TeamMate+.

- Integrity-Research Project Plan Template – documents the project objective and methodology and the timeline for completion.

- Integrity Project Closing Memo Template – documents the detailed results of the integrity project and serves to close out the project.

- Referral to OI Template – documents investigative referrals to OI.

Copies of completed, signed, and transmitted (when applicable) Integrity Project Plans, Closing Memorandums, and Referrals to OI should be sent to the Director of Applied Research and Technology (ART) in MPW.

The Joint Integrity Board will meet periodically to discuss the status of referrals and open integrity projects. Subsequent to these meetings, the Director, ART will update the OA Integrity Program SharePoint site with the status of all open integrity projects and OI referrals. The site can be found by clicking on the Integrity Projects icon on the OA Community SharePoint site.

70.4   Process for Starting a New Integrity Project.
The following steps should be taken when a new integrity project is initiated:

- The auditor will complete an **Integrity Project Justification**.[1] The completed integrity project justification should be routed to the applicable Assistant Inspector General for Audit (AIGA) for approval.

- Once approved, a copy of the document will be forwarded to the AIGA (MPW) for inclusion in the Integrity Project Database on the OA Integrity Program SharePoint site.

- The OA Joint Integrity Board Co-Chair will have a TeamMate+ Time Tracking module number assigned to the project and forward the number to the appropriate audit team. The TeamMate+ number will enable business units to track the hours charged to all open and closed integrity projects. Each OA business unit will be allotted staff days to complete its integrity project(s) for the fiscal year.

- The OA Joint Integrity Board Co-Chair will coordinate with the OI Joint Integrity Board Co-Chair to discuss the new integrity project and identify the OI manager who will serve as the OI contact point should the audit team have any questions or is considering preparing a referral to the OI.

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[1] Integrity Project Justifications should be prepared and submitted along with Audit Justifications for OA executive strategic planning meetings.

▪ The audit team conducting the integrity project will advise its designated Integrity Board representative of ongoing progress and results to share with the Integrity Board, when requested. If serious integrity breaches are discovered during the project, the employee's management chain should be advised immediately and the OI contact should be notified.

70.5   Process for Informing the IRS's Enterprise Audit Management.
When planning the integrity project, audit staff may need to contact the IRS to request data or meet with IRS management to discuss a particular process or program. In these situations, an e-mail can be sent to the *Audit Coordination mailbox advising them that we are conducting research and either need access to data or a meeting request. Please note that the e-mail to the *Audit Coordination mailbox should be very limited and avoid discussing the fact that we are conducting an integrity project due to the sensitivity of the projects. For example, do not include integrity project objectives, subobjectives, or tests; reason for initiating the project; closing memorandum date; *etc*. The e-mail notification will include the following:

- Assigned TEC number.

- Access to individuals or data extracts needed.

- Designated TIGTA managerial contact.

- Statement that no audit report or closing document will be issued.

Integrity projects do not follow the Government Accountability Office's generally accepted **Government Auditing Standards** because they are designed for internal use only, and closing memoranda will not be issued to the IRS or publicly posted on the TIGTA Internet site. In addition, the audit team will normally not hold a closing meeting with IRS management to discuss the results of the integrity project. If control or operational weaknesses are identified during an integrity project, an audit justification should be prepared for consideration during the annual audit planning process.

70.6   Process for Completing an Integrity Project.
Referrals to OI – If the audit team determines that a referral to OI is warranted, it should advise the designated OI contact, the OA Joint Integrity Board Representative, and the OA Joint Integrity Board Co-Chair. It is often helpful to discuss the referral with the OI to determine if any additional work is needed before issuance. The OA Joint Integrity Board Co-Chair and Director, ART can assist with any coordination meetings with the OI. Examples of specific information you should consider when completing a referral to the OI include:

- Background of the controls or situation.

- How the controls were bypassed.

- Impact of the action.

- Evidence to support the integrity issue identified.

- Other "red flags" tools that could support your referral (*e.g.*, the IRS's Automated Labor and Employee Relations Tracking System or running CLEAR reports (a Thompson Reuters public records database) for IRS employees referred).

For assistance in preparing a referral, contact the OA Joint Integrity Board Co-Chair for recent examples of referrals to OI.

70.7   <u>Process for Reporting Results in a Closing Memorandum</u>.
When the integrity project is completed, a closing memorandum will be prepared and submitted by the AIGA to the DIGA for approval. Once approved, the AIGA or designee will forward a copy to the Director, ART and the OA Joint Integrity Board Co-Chair. The closing memorandum will count as one "other" product on the OA Performance Report and will be posted to the OA Integrity Program SharePoint site.

The closing memorandum template is available on the OA Integrity Program SharePoint site, in the templates section of Microsoft Word, and in the templates section of TeamMate+. The template provides the format and information required for each section. Taxpayer data should not be included in the closing memorandum. Instead, this type of information should be included in the referral to the OI.

CHAPTER 300 – AUDITING

(300)-80   Audit Techniques

80.1 Overview.
There are many audit techniques that may be used during the planning and fieldwork execution processes. These techniques may be used in meeting audit objectives and identifying high-risk areas and/or significant issues. Among established auditing techniques are:

- Flowcharting.

- Interviewing.

- Sampling.

- Conducting confirmation programs.

80.2 Flowcharting.
During the planning stage, auditors gain a working knowledge of the workflow and processing actions of areas slated for audit. Flowcharting increases the auditor's understanding of complex operations. The flowcharting process includes:

- Breaking down complex operations into their simplest parts.

- Providing overviews of how work is received, processed, and completed.

- Identifying key control points for further review and testing.

- Providing a visual impact not achievable by detailed narratives alone.

Formal flowcharts are generally used to analyze complicated systems or processes. Standard flowchart symbols are used. Informal flowcharts are used for broad organizational overviews. They describe only key processing steps and show who performs them. Generally, standard flowchart symbols are not used for informal flowcharts.

Flowcharts can be effectively used to:

- Support reviews by providing information, arranging it into logical sequences for analysis.

- Supplement written procedures by furnishing graphic summaries of procedures.

- Supplement oral presentations and reports, in that they increase the effectiveness of presentations.

80.3   Interviewing.

The purpose of an audit interview is to gather facts. Auditors should conduct audit interviews with professional skepticism and consider the interviewee's time in position, and knowledge of the subject matter when evaluating the objectivity, credibility, and reliability of testimonial evidence.

Interviewing techniques must be adapted for each individual interviewed. Auditors need the cooperation of interviewees to get complete information and an accurate perspective of operations and programs being reviewed. Auditors develop skill in handling interviewee attitudes as they interview different types of people. Creating an atmosphere of open communication is important since auditee rapport affects all aspects of audits.

Auditors should not promise interviewee confidentiality for information obtained. This information may be disclosed to other parties as needed.

A six-stage approach is helpful in conducting interviews. Auditors should:

- **Prepare** – Auditors should identify objectives and information before interviewing. Auditors should research subjects to be discussed and have specific questions drafted before the interview.

- **Motivate** – Auditors can motivate interviewees by creating a relaxed interview atmosphere. One way to establish rapport with interviewees is to explain the purpose of the interview, how the information will be used, and what is expected of the interviewee.

- **Effectively Question** – Auditors must control the interview to elicit the maximum amount of information. The interview should flow naturally and spontaneously to create the appearance of a discussion rather than of an interrogation. Auditors should put questions in non-threatening contexts.

- **Listen** – Auditors should listen carefully and keep interview objectives in mind so that questions, including *ad hoc* follow-up questions, can be asked to obtain necessary information. Making detailed notes, formulating opinions, and analyzing information in detail should follow the interview.

- **Summarize** – Auditors should summarize at the close of the interview so that the interviewee can correct inaccuracies or expand, retract, or revise information.

- **Analyze** – Auditors should make additional notes and summarize information shortly after concluding the interview. By doing so, auditors can put information in proper perspective while it is still fresh and compare it with original interview objectives to determine if additional information is needed.

80.3.1 <u>Tape Recording of Interviews.</u> Recordings of interviews should not be performed as a matter of practice. If an audit team believes there are special circumstances that warrant recording an interview with the IRS, this situation should be elevated to the applicable AIGA for discussion and coordination with the DIGA and the Office of Chief Counsel. Recording of any interviews should not be conducted until it is approved by the DIGA and consultation with Counsel is done to ensure compliance with applicable legal requirements, including disclosure and privacy considerations.

80.4   <u>Sampling</u>.
The OA's policy is to ensure that findings and conclusions are sound by choosing the sample design, sample size, and sampling procedures that are appropriate to the audit objectives. The selection of the appropriate sample design and sample size is important because auditors often use the sample results to develop and report audit outcomes. The Audit Plan should indicate which sample design will be used.

For each audit in which sampling will be used, auditors will prepare a sampling plan. The sampling plan documents the steps and procedures involved in taking a sample. It guides auditors in executing the sample and aids in preparing the scope and methodology section of the report. If possible, the sampling plan should be agreed to by the auditees. The sampling plan involves the following steps:

- Stating the audit objectives (*e.g.*, to estimate the number of tax returns for which the Government owed the taxpayer interest) and explaining the reason for taking a sample.

- Defining the sampling unit or the elements to be measured (*e.g.*, tax returns, heads of households, or participants in a program).

- Defining and estimating the size of the population (*e.g.*, the 150,000 tax returns handled by the service center during March 1998).

- Developing a description of the items available for selection in the population (*e.g.*, the computer list on tape of all returns processed during the month).

- Describing the sample design, the reasons for selecting this design, and the selection procedure used in selecting the sampling, including the source of the random numbers.

- Suggesting a sample size.

- Deciding the data collection and recording techniques to be used to record the data.

- Choosing the analysis methods to be used.

- Explaining how missing sample items will be handled.

For audits that involve sampling, it is highly recommended that OA's contract statistician be consulted during planning to ensure the sampling methodology will meet the audit objectives and conforms to *Government Auditing Standards*. Depending on the complexity of the objectives and population, the statistician may assist in the design of the sampling plan or, if the audit team has developed a proposed sampling plan, the statistician may review the plan for sufficiency. The use of a statistician is especially important in designing the sampling plan when using surveys/questionnaires during the course of an audit or project. This is due to unique complexities involved in drawing inferences or making projections based on surveys/questionnaires.

It is also recommended that the same approach be used in the presentation of the results of statistical sampling or other statistical methods. Audit teams should either consult with a statistician in determining how to present the results of the statistical analysis or request the statistician to review the presentation of the results to ensure conformance with accepted statistical practices. The best approach as to whether and when to consult with a statistician depends on the complexity of the sampling methodology.

Auditors can reach conclusions about a population by examining only a portion of that population. Computer software allows auditors to select 100 percent of audit populations if desired. Sometimes the size and magnitude of Internal Revenue Service (IRS) operations require sampling techniques to analyze large quantities of information quickly, accurately, and economically. Properly used sampling techniques can provide audit information that is representative, reliable, and quantitatively defensible. Auditors may project their results only to the population from which a sample is taken, *e.g.*, if samples are taken from one service center, projections may be made only about the universe in that service center and not projected to the other service centers.

Auditors should choose the sample design that best achieves their objective and is cost effective. The selection should be based on professional judgment and consider the resources needed and the use of projected results. However, auditors must always consider how the sampled items can be used to effectively measure audit outcomes to meet the audit objectives. After determining the sample design, auditors must determine the sample size and the selection method. Finally, auditors must objectively appraise sample results. **Exhibit (300)-80.1** contains a summary of sampling

techniques. Sampling methods can produce either a probability or a nonprobability sample. Descriptions of these sampling methods follow:

- **Probability sampling** involves methods in which each item in the population has a known positive probability of selection. Examples include simple random samples, interval (systematic) samples and stratified random samples. A probability sample allows the auditor to make a confidence interval statement for an outcome measure about the population from which the sample was selected. Typically, population projections are made based on an attribute measure (*i.e.,* Yes or No – is a control working as intended) or as a variable measure (*i.e.,* penalty dollars).

- **Nonprobability sampling** is a method in which every item does not have a known positive chance of being selected. Examples include judgmental and convenient samples. The sample results cannot be projected to the population. Typically, nonprobability sampling is used when there is no need to generalize the outcome measure to the population (if using nonprobability sampling, conclusions and/or inferences cannot be made to the entire population, based upon the sample). For example, a judgmental sample may be sufficient to show a control weakness or prompt management to take corrective action.

Commonly used sampling terminology includes:

- *Confidence level* is the degree of probability that sample results are indicative of the true parameter for the population. For example, a 90 percent confidence interval means that there is a 90 percent chance that the true population parameter is contained in the confidence level.

- *Precision* is half the length of the confidence interval within which the estimate of the population parameter will fall at the stipulated confidence level. Confidence level and precision are integral parts of the same mechanism. Each has an effect on the other. Precision is expressed in percentages (for attribute samples) and in units (for variable samples). For example, in the statement, "We are 95 percent confident that the error rate in performing this activity is between 10 and 15 percent," the confidence interval is 5 percent and the precision is 2.5 percent.

- *Sample reliability* is the confidence level and precision achieved by a statistical sample for an outcome measure. The statement, "We are 90 percent confident the actual error rate is between 10 and 15 percent" is an example of sample reliability.

- *Stratified random sample selection* means dividing the population into two or more segments (strata) and taking a simple random sample from each stratum.

Sample results from the separate strata may be combined into an estimate for the entire population.

- **Standard deviation** is the measure of the variability of an outcome measure for a particular population or of a sample from that population.

80.5   Sample Size.
The sample size must be determined after audit objectives and tests are established and sample design is determined. Auditors may use either mathematical formulas or sampling tables to guide them to a sample size providing acceptable sample reliability. OA's contract statistician should be consulted when determining the appropriate sample size, if needed.

80.5.1   Sample Sizes for Probability Sampling. To determine the sample size for a probability sample, the auditor must consider the tradeoff between the available resources and the anticipated precision of the audit results. A higher sample size provides better precision but generally costs more in time and personnel. The auditor must weigh the cost of all factors that impact resources relative to the potential effect in precision for the audit measures.

80.5.2   Sample Sizes for Nonprobability Sampling. For nonprobability sampling, auditors determine sample size based on audit circumstances. Generally, a probability sample is more desirable than a nonprobability sample if there is no significant increase in cost. Auditors should choose a nonprobability sample if a probability sample is not feasible, and if the nonprobability sample can achieve the audit objectives.

80.6   Sample Design.
The following sample designs produce probability samples:

- **Simple Random Sample** – Random number selection is accomplished through the use of random number tables. A sufficient number of random numbers are selected from the tables to equal the desired sample size. Items in the population are assigned consecutive numbers. Those items corresponding to selected random numbers are included in the sample.

- **Interval Sample** – The method of selecting items at fixed intervals after the first item is chosen at random using random number tables. This is also known as a systematic sample. The fixed interval is calculated by dividing the population by the sample size. When populations are distributed in periodic patterns, auditors should calculate intervals so that two or more passes through the population are made, with each pass having a different random start.

- **Stratified Random Sample** – This sample is accomplished by dividing a population into two or more segments. Samples are selected from each segment

using random numbers or interval selection and analyzed. Results are then combined into an estimate for the entire population. Stratification can help reduce the distorting effect of wide numerical variances between strata. This method of selection is effective for estimating parameters for a portion of a population.

For additional guidance on selecting an audit sampling method and presenting the results in an audit report, please refer to , Detailed Objective(s), Scope and Methodology.

80.7 <u>Confirmation Letter and Written Correspondence with Taxpayers Programs</u>. Use of confirmation letters and other written correspondence (surveys, questionnaires, etc.) with taxpayers can be beneficial when conducting an audit. Confirmation letters can be generic or individually tailored for a specific purpose and are used routinely to communicate directly with a customer base to receive independent verification of information contained in auditee records. Written correspondence with taxpayers and/or taxpayer representatives can be used to determine how well programs are working within the IRS.

Confirmation programs may assist in determining the accuracy of IRS records, including verification of balances due, payment history, fact-of-filing, *etc*. They should not be viewed as a review of individual taxpayer accounts to determine the need for enforcement actions.

Confirmation letters or other written correspondence should be tailored to the specifics of the audit. At a minimum, letters or written correspondence should include statements on:

- Authority for soliciting information and whether disclosure of such information is mandatory or voluntary.

- Principal purpose of gathering information.

- Additional uses of the information other than the principal purpose. This should include the fact that information may be shared with the IRS but will not be shared with other parties without written permission.

- Effect on recipients if they do not furnish all requested information.

- The independence of the Treasury Inspector General for Tax Administration (TIGTA) from the IRS.

- Reminder not to send any money with the response.

Examples of previously approved confirmation letters are included in **Exhibit (300)-80.2** and **Exhibit (300)-80.3**. An example of a taxpayer questionnaire is included in **Exhibit (300)-80.4**. In addition, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) developed the *Guide on the Inspector General Empowerment Act's Exemption to the Paperwork Reduction Act* (https://www.ignet.gov/manuals-guides/igea-pra) to assist Offices of Inspectors General with understanding the exemption.

When selecting accounts or related information for confirmation, avoid those that could compromise such activities as:

- On-going investigations.

- On-going litigation.

- Sensitive activities that may cause embarrassment to the IRS, such as deceased taxpayers.

Written correspondence and responses will be controlled by Senior Auditors to prevent alteration or interception. The Director's location will be designated as the address to which confirmation letter recipients are to forward their responses.

Indications of fraud that are not resolved by the audit team will be referred to TIGTA's Office of Investigations (OI). The audit team should consult with OI personnel regarding the potential fraudulent or integrity issue. The business unit OA Integrity Board representative may be able to facilitate this discussion. If it is determined that a referral to OI is warranted, the audit team will prepare a referral following established procedures. See **Section (300)-70.6** for detailed instructions on how referrals should be processed and routed. Resolution of these unagreed responses may identify potential procedural and processing problems or potential misconduct or fraud by employees or taxpayers. Procedural and processing problems should be fully developed and reported to management using normal auditing and reporting procedures.

Determination of the response rate percentage (number of usable replies relative to total number of letters sent or telephone interviews conducted) will assist in evaluating the confirmation program results and in determining whether evidence gathered is sufficient to form an audit opinion.

Second request letters, if needed to increase the confirmation letter program resolution rate, should be mailed approximately four weeks after original requests were mailed. Second request letters should meet the same standards as original confirmation letters and be identified as second requests.

Taxpayers and other parties having amounts due the IRS may occasionally include cash or checks with their responses to confirmation letters. Moneys must be physically secured and receipt and disposition carefully documented in audit workpapers. Remittances are handled as follows:

- Remittances received from taxpayers will be transmitted to the IRS by memorandum, with a request for acknowledgment of receipt, no later than the first workday following receipt. To minimize the risk of loss, remittances should be transmitted by mail only when it is not practical to deposit them directly with a teller. Cash remittances should be converted to money orders or bank drafts if transmittal through the mail is required.

- Remittances received applying to IRS administrative accounts should be transmitted by memorandum to, and require an acknowledgment of receipt from, the Accounting Section in the appropriate IRS office. Transmittal of these remittances will be made in accordance with requirements included above and Internal Revenue Manual 5.1.2.

Because responses are voluntary and beneficial to the Government, correspondence should include the necessary postage for taxpayer responses. The cost of preparing and mailing the letters should be carefully considered before requesting approval.

80.7.1   <u>Required Documentation Necessary to Obtain Approval of Confirmation Program Letters or Written Correspondence with Taxpayers</u>. Audit Directors should prepare the following documents to obtain approval for a confirmation letter or correspondence survey program:
- A supporting statement/justification for using the survey. Explain why the survey results are needed and how the survey results will be used to further the objective of the review, the mode of data collection, why similar information already available from other sources cannot be used, and the impact if the survey is not performed. If questions of a sensitive nature will be included on the survey, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private, include the reasons why the audit team considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent. (Since TIGTA does not provide any payment or gift to respondents as an incentive to respond to a survey, there is no need to include information about compensation.)

- A draft of the proposed information collection instrument (confirmation letter, questionnaire, *etc.*). Include the methodology and design of the program.

- A description of how data collected will be kept confidential and efforts to keep respondents' identities and answers confidential. The supporting

statement/justification should identify any applicable confidentiality laws, such as the Privacy Act, the Freedom of Information Act, I.R.C. § 6103, or the Inspector General Act of 1978. The information collection instrument itself should include language informing respondents of such laws, but also note that disclosure may be authorized in certain circumstances. Finally, consideration should be made to determine the best way to maintain control and security of survey data collected and stored online. Public, web-based survey tools (*e.g.*, Survey Monkey) should not be used to collect data.

- A detailed estimate of taxpayer burden.

- A timeline for conducting the survey and analyzing taxpayer responses for inclusion in the audit report.

- If a sample is being used, a description of the population to be surveyed; the sampling methodology; the methodology to address non-response bias; and plans for testing the survey questionnaire and procedures.

An example of the justification to obtain approval for a confirmation letter/ correspondence survey program is included in **Exhibit (300)-80.5**.

80.7.2   Approval of Confirmation Letters/Written Correspondence with Taxpayers. All requests to conduct information gathering activities (written or oral) designed to elicit information from taxpayers must be submitted to the Office of Chief Counsel and the DIGA for review and approval.

DIGA approval is needed for the following types of information gathering or confirmation program items:

- Forms.

- Notices.

- Letters.

- Stuffers.

- Questionnaires.

- Surveys.

- Manual instructions.

- Record keeping requirements.

- Other oral and written means by which identical requests of information are made from persons, whether responses are voluntary or mandatory.

Specifically, the following process should be followed to obtain the DIGA approval:

- The Audit Director submits the required documentation described in **Section (300)-80.7.1** to the applicable Assistant Inspector General for Audit (AIGA).

- Upon review and approval, the AIGA sends the proposed letter/correspondence and Justification for Survey document to the Director, Office of Management and Policy (OMP), for processing.

- The OMP logs the request and submits the proposed letter/correspondence and Justification for Survey document to Counsel for legal review.

- Counsel reviews the proposed letter/correspondence and Justification for Survey document for legal sufficiency. If Counsel has any questions, Counsel contacts the applicable AIGA/Director to discuss any issues. Upon completing its legal review, Counsel returns the proposed letter/correspondence and Justification for Survey document to the OMP.

- Once the OMP receives the proposed letter/correspondence and Justification for Survey from Counsel, it will send the documentation to the AIGA for final review.

- The AIGA submits the proposed letter/correspondence and Justification for Survey document to the DIGA for final review and approval.

- After the DIGA approves, the DIGA provides the approved letter/correspondence and Justification for Survey to the AIGA and the OMP.

- Directors/managers should consider a pre-test of survey with pilot groups that are members of the population being surveyed to ensure that questions are clear and well understood and that answers can be provided before distributing to larger sample population.

- Upon completion of the use of written correspondence, the AIGA provides the Director, OMP, with the actual number of hours and/or the number of taxpayers contacted.

80.7.3   Telephone Interviews. Telephone interview programs must be approved by the DIGA, the same as written programs, and must be in accordance with disclosure procedures. See **Section (300)-80.7** for information on the confirmation letter process and DIGA approval. As long as there is a script, it must have DIGA approval. If the answers to the "scripted" questions (written or oral) raise other questions that are not scripted, these additional questions do not need DIGA approval. Auditors are not limited to the pre-approved script and can adapt to the answers given.

Telephone interviews should include statements of the:

- Authority for soliciting information and whether disclosure of such information is mandatory or voluntary.

- Principal purpose of gathering information.

- Additional uses of the information other than the principal purpose. This should include the fact that information may be shared with the IRS but will not be shared with other parties without written permission.

- Effect on recipients if they do not furnish all requested information.

- The independence of TIGTA from the IRS.

Telephone interviews should be documented and include at a minimum:

- Taxpayer name, Taxpayer Identification Number, and telephone number.

- Interview date.

- Note that information was verified.

- Statement signed by the interviewer that the taxpayer was informed of his or her rights.

Determination of the response rate percentage (number of usable replies relative to total number of telephone interviews conducted) will assist in evaluating the confirmation program results and in determining whether evidence gathered is sufficient to form an audit opinion.

80.8   Subpoena Authority and Procedures.
The Inspector General has authority under § 6(a)(4) of the IG Act, to require the production of documentary evidence by subpoena. Specifically, the IG is authorized to require by subpoena the production of all information, documents, reports, records, accounts, papers, and other data and documentary evidence necessary in the performance of the functions assigned by the IG Act. The IG Act also requires that procedures other than subpoenas be used by the IG to obtain documents and information from Federal agencies.

TIGTA's subpoenas may be used to obtain records needed in audits, investigations, and inquiries for which TIGTA has responsibility. Where appropriate, documents and information should be sought by voluntary production or pursuant to contractual, grant,

or regulatory obligations, prior to issuance of a subpoena. Where access to records is refused, TIGTA representatives may advise that TIGTA has subpoena authority, but they should not threaten the use of such authority. If voluntary production does not occur, or records are not made available in a timely manner, service of the subpoena may be advisable.

When documents are required for an audit and there is a related ongoing criminal investigation, the issuance of a subpoena should be coordinated with TIGTA's OI as well as the Department of Justice and/or U.S. Attorney's Office.

Requests for subpoenas will usually originate with the assigned Senior Auditor using TIGTA forms. TIGTA's Subpoena Request (Form OI S-001) and Subpoena (Form OI S-002) should be used except in unusual circumstances.

The request for a subpoena should reflect the need for using the subpoena, including:

- The title and audit or investigation number.

- The name and address of the individual, corporation, partnership, agency, institution, or other unincorporated business whose records are sought and the name and address of the custodian of the records, if known.

- The justification for issuance of the subpoena.

- A complete and precise description of the items to be obtained. A time period related to the documents should be specified. The use of attachments to describe the types of records sought is encouraged.

- Any special element of urgency (*e.g*., possibility of removal or destruction of records).

- Whether a privilege is expected to be asserted by the witness, such as attorney-client privilege or self-incrimination under the Fifth Amendment.

- The likelihood, if any, that judicial enforcement of the subpoena will be required or that the subpoenaed party will challenge the subpoena through court proceedings.

- The proposed date of service.

- The name and telephone number of the auditor or Special Agent conducting the inquiry.

Subpoenas will be approved by the Assistant Inspector General for Audit before being forwarded to the Chief Counsel's office for review. The subpoena package will include Form OI S-001, Form OI S-002, and OI S-003 and any supporting documentation. The request will be forwarded to the Chief Counsel's office where it will be reviewed for completeness, validity, and legal sufficiency. The Chief Counsel's office will submit the electronic documents to the DIGA for signature. The DIGA will manually sign both the original and duplicate original documents. The signed original subpoena and the duplicate original will be sent to the originator. Copies will also be sent to the Chief Counsel's office for filing.

For more detailed information on TIGTA Subpoena Authority and Procedures, including service of a subpoena, auditors should refer to the OI's **Section (400)-220** of the TIGTA Operations Manual, located on the Internal Management Document System.

<u>**Exhibit (300)-80.1**</u>
<u>Sampling Techniques</u>

<u>**Sampling Type**</u>	<u>**Sampling Approach**</u>	<u>**Role**</u>	<u>**Factors to Consider**</u>
Nonprobability	Selection of items to be sampled is based on the knowledge and judgment of the auditor.	Effective for probing for possible deficiencies in day-to-day applications of accounting or management systems, selecting case studies and evidence, and describing and drawing conclusions about only the items sampled.	Cannot be used to support inferences about the population from which the samples were selected.
Probability	The auditor must consider the trade-off between the available resources and the anticipated precision of the audit results. A higher sample size provides better precision but generally costs more in time and personnel. The auditor must weigh the cost all factors that impact resources relative to the potential effect in precision for the audit measures.	Can be used to support inferences about the population from which the sample was drawn. Reliability of the results can be expressed in numerical terms. Results are objective and defensible. Results from several samples can be combined.	Trained and experienced staff must direct sample process. It is strongly encouraged that OA's contract statistician be consulted when designing the sampling methodology to ensure that sample results will meet the audit objectives. The OA should use an appropriate confidence level (*e.g.*, 90, 95, or 99 percent) and develop a sampling error calculation for each assignment.

Exhibit (300)-80.2
Levy Confirmation Letter 001

(Use TIGTA Letterhead)

Confirmation Letter

Month Day, Year

Person to Contact: XXXX XX
Telephone Number (Not Toll Free):
(XXX) XXX-XXXX
Taxpayer Identifying Number: 012-34-5678

Taxpayer
1234 Main Avenue
Metropolis, USA   01234

Dear Taxpayer,

The Department of the Treasury is conducting an independent review of the Internal Revenue Service's (IRS) records to determine whether the IRS is complying with certain provisions contained in the Internal Revenue Code (I.R.C.). The Treasury Inspector General for Tax Administration (TIGTA), which is part of the Department of the Treasury but independent of the IRS, is charged with conducting these independent reviews of the IRS.

We would appreciate your help in verifying the accuracy of the IRS's records by answering the questions listed below. Your response is voluntary and there are no penalties for not participating in the survey. Based on our planning work, we did not identify any alternative data sources that would provide us with the information requested. ***This survey is NOT a review of your tax records or a request for payment – it is only a request for your voluntary participation in assisting us in improving the customer service the IRS provides to taxpayers such as yourself.***

The information that you provide may be furnished to the IRS; however, the law prohibits us from providing information concerning your tax account to third parties (other than the IRS) without your written permission.

TIGTA is committed to maintaining the privacy of your personal information and the security of our computer systems. With respect to the collection, use and disclosure of personally identifiable information (PII), TIGTA makes every effort to ensure compliance with applicable Federal law, including, but not limited to, the Privacy Act of 1974, the Freedom of Information Act, and the Inspector General Act of 1978.

IRS records indicate that a levy was issued against your asset(s) on or after (insert Month Day, Year). The I.R.C. requires, as of January 18, 1999, that the IRS notify you in writing prior to the issuance of a levy and inform you of your right to a hearing, which is held by the IRS Office of Appeals. The IRS uses Letter 1058 or LT 11, Notice of Intent to Levy and Notice of Your Right to a Hearing, for this purpose.

1. Have you received a letter from the IRS since January 18, 1999, notifying you of a levy against your asset(s) and your right to a hearing?   **YES ( )   NO ( )**

    - If you answered **yes**, what is the date on the letter? _____   If you no longer have the letter or do not remember the date on the letter, just answer "don't know."

2. If you answered yes to question #1, did you request an appeals hearing within 30 days from receipt of the letter? **YES ( )   NO ( )**

3. If you answered yes to question #2, did the IRS grant the hearing?
    YES ( )   NO ( )   Have not heard from the IRS ( )

To help assure our independent review of the IRS, please reply only to the Department of the Treasury (or TIGTA) using the enclosed postage-paid envelope. Please do not forward this letter to the IRS. If you have any questions, please call the individual shown at the top of this letter. We would appreciate your reply within 10 days.

If you would like to learn more about the TIGTA, please visit our website at www.treasury.gov/tigta. In addition to general information about the services the TIGTA provides, you will be able to read the report written about your questionnaire responses after it is publicly posted on our website.

Thank you in advance for your cooperation.

Sincerely,

(DIGA's Name)
Deputy Inspector General for Audit

Enclosures: Postage-paid Envelope

Exhibit (300)-80.3
Lien Confirmation Letter 002

(Use TIGTA Letterhead)

Confirmation Letter

Month Day, Year

Person to Contact: XXXX XX
Telephone Number (Not Toll Free):
(XXX) XXX-XXXX
Taxpayer Identifying Number: 012-34-5678

Taxpayer
1234 Main Avenue
Metropolis, USA   01234

Dear Taxpayer,

The Department of the Treasury is conducting an independent review of the Internal Revenue Service's (IRS) records to determine whether the IRS is complying with certain provisions contained in the Internal Revenue Code (I.R.C.). The Treasury Inspector General for Tax Administration (TIGTA), which is part of the Department of the Treasury but independent of the IRS, is charged with conducting these independent reviews of the IRS.

We would appreciate your help in verifying the accuracy of the IRS's records by answering the questions listed below. Your response is voluntary and there are no penalties for not participating in the survey. Based on our planning work, we did not identify any alternative data sources that would provide us with the information requested. ***This survey is NOT a review of your tax records or a request for payment – it is only a request for your voluntary participation in assisting us in improving the customer service the IRS provides to taxpayers such as yourself.*** .

The information that you provide may be furnished to the IRS. However, the law prohibits us from providing information concerning your tax account to third parties (other than the IRS) without your written permission.

TIGTA is committed to maintaining the privacy of your personal information and the security of our computer systems. With respect to the collection, use and disclosure of personally identifiable information (PII), TIGTA makes every effort to ensure compliance with applicable Federal law, including, but not limited to, the Privacy Act of 1974, the Freedom of Information Act, and the Inspector General Act of 1978.

IRS records indicate that a lien was filed against your property on or after (insert Month Day, Year). The I.R.C. requires that the IRS notify you in writing that it has filed a tax lien and inform you of your right to a hearing, which is held by the IRS Office of Appeals. The IRS uses Letter 3172, Notice of Federal Tax Lien Filing and Your Right to a Hearing Under I.R.C. 6320, for this purpose.

Please answer the following questions about your recent Federal tax lien:

1. Have you received a letter from the IRS since April 1, 1999, notifying you of a lien filing and your right to a hearing? **YES ( )   NO ( )**

    - If you answered **yes**, what is the date on the letter? _____   If you no longer have the letter or do not remember the date on the letter, just answer "don't know."

2. If you answered yes to question #1, did you request an appeals hearing within 30 days from receipt of the letter? **YES ( )   NO ( )**

3. If you answered yes to question #2, did the IRS grant the hearing?
    YES ( )   NO ( )   Have not heard from the IRS ( )

To help assure our independent review of the IRS, please reply only to the Department of the Treasury (or TIGTA) using the enclosed postage-paid envelope. Please do not forward this letter to the IRS. If you have any questions, please call the individual shown at the top of this letter. We would appreciate your reply within 10 days.

If you would like to learn more about the TIGTA, please visit our website at www.treasury.gov/tigta. In addition to general information about the services the TIGTA provides, you will be able to read the report written about your questionnaire responses after it is publicly posted on our website.

Thank you in advance for your cooperation.

Sincerely,

(DIGA's Name)
Deputy Inspector General for Audit

Enclosures: Postage-paid Envelope

Exhibit (300)-80.4
Example of a Taxpayer Survey Questionnaire

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION IDENTITY THEFT CUSTOMER SERVICE QUESTIONNAIRE

The Treasury Inspector General for Tax Administration (TIGTA) selected you to participate in this survey because Internal Revenue Service (IRS) records show you were a victim of identity theft. We would appreciate your help in evaluating the level of customer service the IRS provided you when dealing with this identity theft issue. Based on our planning work, we did not identify any alternative data sources that would provide us with the information requested. We may furnish the IRS the results of our analysis based on information you give to us; however, the law prohibits us from providing information concerning your tax account to third parties (other than the IRS) without your written permission.

Your response will be voluntary and there are no penalties for not participating in this survey. **The survey is NOT a review of your tax records or a request for payment but a request for your assistance in helping us evaluate IRS customer service.**

If you would like to learn more about the TIGTA, please visit our website at www.treasury.gov/tigta. In addition to general information about the services the TIGTA provides, you will be able to read the report written about your questionnaire responses after it is publicly posted on our website.

TIGTA is committed to maintaining the privacy of your personal information and the security of our computer systems. With respect to the collection, use and disclosure of personally identifiable information (PII), TIGTA complies with applicable Federal law, including, but not limited to, the Privacy Act of 1974, the Freedom of Information Act, and the Inspector General Act of 1978.

SURVEY STARTS HERE

	Yes	No
1. To the best of your knowledge, have you been the victim of identity theft that affected you and your tax return and caused you to communicate with the IRS?	◯	◯

If the answer to Question 1 is "No," you have completed the survey. Please stop and return this questionnaire using the self-addressed, stamped envelope we provided. If the answer to Question 1 is "Yes," please continue.

2. Please circle the tax year(s) of the tax returns affected by the identity theft.
2011   2012   2013   2014   2015

If you were the victim of more than one identity theft, please answer the following questions by keeping in mind your experiences handling your most recent incident and how you dealt with the IRS regarding that incident.

	IRS Notified Me	I Notified the IRS
3. Did the IRS notify you that you were the victim of identity theft or did you notify the IRS you were the victim of identity theft?	◯	◯
4. What was the approximate date of the first contact?		_____

	Visited Local Office	Telephone	Written Correspondence	Other	N/A
5. If you initiated contact with the IRS regarding the identity theft, what method did you use to contact them?	◯	◯	◯	◯	◯
If you specified "Other" for Question 5, please explain.			_____		

SURVEY CONTINUES ON BACK PAGE

For questions 6 – 9, please specify the number of visits you made to local IRS offices, telephone calls made to the IRS, and letters written to the IRS.

	0	1-2	3-6	7-12	More Than 12
6. Number of visits to a local IRS office.	◯	◯	◯	◯	◯
7. Number of telephone calls to the IRS.	◯	◯	◯	◯	◯
8. Number of letters written to the IRS.	◯	◯	◯	◯	◯
9. Number of times you communicated with the IRS in a manner not mentioned above.	◯	◯	◯	◯	◯
For Question 9, if you answered something other than zero (0), please specify the type(s) of communication you made with the IRS.			_____		

		Yes	No	Not Resolved
10. When the IRS resolved your identity theft issue, did they notify you of the resolution?		◯	◯	◯

		Yes	No
11. During your initial contacts with the IRS, did they communicate to you the response time frames relating to your issue?		◯	◯
If you answered "yes" to question 10, how long did the IRS state that it would take to resolve your issue?		_____	
12. Do you believe the amount of time the IRS took/is taking to resolve your issue is reasonable?		◯	◯
13. Do you believe the IRS assistor(s) who assisted you to resolve the identity theft issue showed a genuine concern for you and your issue?		◯	◯
14. Did you receive an Identity Protection Personal Identification Number (IP PIN) to use when filing your next tax return?		◯	◯

	Very Confident	Somewhat Confident	Somewhat Not Confident	Not Confident At All
15. How confident are you that the IRS will correctly process the next tax return you file?	◯	◯	◯	◯

	Outstanding	Above Average	Average	Below Average	Poor
16. Overall, how would you rate the assistance that the IRS provided to you while attempting to resolve your identity theft issue(s)?	◗	◗	◗	◗	◗

SURVEY ENDS HERE

<u>**Exhibit (300)-80.5**</u>
<u>Example of Documentation for Approval of Confirmation Letter or Written</u>
<u>Correspondence to Taxpayers</u>

Treasury Inspector General for Tax Administration (TIGTA)'s Office of Audit
[Enter Title of Audit and Audit Number]

1. Purpose

We plan to survey tax exempt organizations to assess Internal Revenue Service (IRS) actions to ensure taxpayers are complying with the reporting requirements for claiming Noncash Charitable Contributions (Form 8283). Based on our planning work, we have determined that there are no alternative data sources that would provide us with the information requested. We believe this information is needed to meet our overall audit objective.

2. Methodology

We plan to contact tax exempt organizations that received non-cash contributions from individuals in Tax Year 2010. We selected a statistically valid sample of non-cash contributions over $5,000 on both paper and e-filed tax returns (750 tax returns). We plan to contact these qualified organizations to verify the receipt of the non-cash contributions reported on individual's tax returns. To confirm this information, we will need to provide tax return information to the qualified organization, such as, the individual's name, description of the donated items, date of donations, and amount of the non-cash contribution claimed on the tax returns. Data collected and respondents' identities and answers will be kept confidential on TIGTA servers with access limited only to those with a need to know. With respect to the collection, use and disclosure of personally identifiable information (PII), TIGTA will make every effort to ensure compliance with applicable Federal law, including, but not limited to, the Privacy Act of 1974, the Freedom of Information Act, and the Inspector General Act of 1978.

3. Sample Methodology

Selected a statistically valid sample of 750 e-filed tax returns with noncash charitable contributions between $5,000 and $500,000 from a population of 276,942 e-filed tax returns in Tax Year 2010 to determine whether taxpayers complied with the reporting requirements. We used attribute sampling to calculate the minimum sample size.

$n = (Z^2p(1-p))/(A^2+(Z^2p(1-p)/N))$
Z = Confidence Level: 90 percent (expressed as 1.645 standard deviation)
p = Expected Rate of Occurrence: 5 percent
A = Precision Rate: ±3 percent
N = Population: 276,942

We will address non-response bias by ensuring respondents are aware that their identities and information given will be confidential. The survey methodology and questions will be tested by evaluating responses from the first 25 organizations contacted.

4. Design

This voluntary survey should take approximately 15 minutes to complete and will address noncash donations made to the organization and confirm the following based on what the taxpayer claimed on IRS Form 8283, Noncash Charitable Contributions.

- Date items(s) received,
- Taxpayer (donor),
- Donated items, and
- Value claimed.

The survey will be conducted via a postal mailer and respondents will be provided a pre-addressed, postage-paid envelope for return responses.

5. Timeline for Conducting and Analyzing Survey Responses

We anticipate the following time schedule for the project.

Beginning Date of Survey	5/1/2021
Ending Date of Survey	8/1/2021
Beginning Date of Audit Team Analysis	8/2/2021
Ending Date of Audit Team Analysis	9/2/2021
Discussion Draft Report Date	10/20/2021

6. Estimation of Burden

The collection of information will involve completion of the voluntary survey provided to respondents, via a confirmation letter (mailer) based on a statistically valid sample of non-cash contributions over $5,000 on both paper and e-filed tax returns. The average survey will take approximately 15 minutes to complete. From the 750 tax returns, 300 confirmation letters will be mailed. Respondents are asked to return the survey in the postage-paid envelope provided. TIGTA Office of Audit anticipates a 40 percent response rate of 120 conformation letters returned. Therefore, the total estimated burden for this survey is 30 hours.

No. of Mailer	300
No. of Respondents	120
Hours Per Response	0.25 hr. (15 minutes)
Total Estimated Burden	30

Approved: _____   Date: _____
    Director

_____   Date: _____
Assistant Inspector General for Audit

_____   Date: _____
Deputy Inspector General for Audit

CHAPTER 300 – AUDITING

(300)-90   Reporting Audit Results

90.1   Overview.
The Office of Audit (OA) performs its audits in accordance with the generally accepted ***Government Auditing Standards*** (GAGAS) issued by the Comptroller General of the United States. These standards provide guidelines for the form, content, presentation and distribution of written audit reports and require that we provide timely feedback to management. The Audit Manager and staff will ensure that the audit was performed in accordance with the GAGAS.

A statement that the audit was conducted in accordance with the GAGAS will be included in the report. If specific auditing standards are not met, exceptions should be noted in the report.

Auditing and reporting should not be considered separate activities. The audit team should begin visualizing the draft report early in the audit.

Audit reporting is a function of audit communication during all phases of the audit. The value of our service to Internal Revenue Service (IRS) management is greatly dependent on the effectiveness of our application of reporting principles from the earliest stages of planning through the issuance of the audit report and any follow-up reviews. We must consider the potential substance and message of our reports as soon as we identify an area for review. The OA and IRS management communication occurs at the following points:

- Audit planning.

- Opening conference.

- Interim discussions of results with IRS management.

- Closing conference.

- Agreement to findings and recommendations.

- Issuance of a final report with IRS management's comments, when possible.

- Feedback on the effectiveness of corrective actions (audit follow-up).

When management and the audit team concur on potential report results, the likelihood that the report will be a quality product is increased. The Assistant Inspectors General for Audit (AIGA) will participate in these discussions to ensure concurrence and "buy-in" at every level. Documentation of the AIGA's involvement in message conferences will be maintained in the audit workpapers. This "frontloading" practice is also required to ensure that the report information provides the proper tone and factual presentation.

A message conference is required unless the AIGA decides that one is not necessary and this decision is documented in the workpapers. The method or techniques used to meet the message conference requirement will be left to the respective AIGA's discretion. Documents prepared for discussion in the message conference may be deemed by the AIGA to be sufficient and a meeting may not be required. If a meeting is not deemed necessary by the AIGA, this decision must be documented and will satisfy the message conference requirement.

For audits that involve sampling, it is highly recommended that OA's contract statistician be consulted during planning to ensure the sampling methodology will meet the audit objectives and conforms to ***Government Auditing Standards***. Depending on the complexity of the objectives and population, the statistician may assist in the design of the sampling plan or, if the audit team has developed a proposed sampling plan, the statistician may review the plan for sufficiency. The use of a statistician is especially important in designing the sampling plan when using surveys/questionnaires during the course of an audit or project. This is due to unique complexities involved in drawing inferences or making projections based on surveys/questionnaires.

It is also recommended that the same approach be used in the presentation of the results of statistical sampling or other statistical methods. Audit teams should either consult with a statistician in determining how to present the results of the statistical analysis or request the statistician to review the presentation of the results to ensure conformance with accepted statistical practices. The best approach as to whether and when to consult with a statistician depends on the complexity of the sampling methodology.

For additional information on sampling, please see **Sections (300)-60.2** and **(300)-80.4**.

At the beginning of each audit, an audit plan will be prepared which outlines the purpose of the audit, the expected deliverables, the expected outcomes, and the milestones by which we will issue draft and final reports. Timeliness of reporting to IRS management is a critical part of the audit process.

Depending on an audit's scope and results, there may be one or more reports issued from a single audit. Issues reported must be from essentially the same audit work and be based on the original audit plan. While the content of each report may be similar, findings and recommendations in each would be directed to the IRS management official with the authority to correct specific problems.

IRS management will respond to audit memoranda and draft reports in accordance with procedures coordinated between the IRS Commissioner and the Treasury Inspector General for Tax Administration (TIGTA).

As required by the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98), all final reports of audits conducted by the OA shall be timely submitted to the IRS Commissioner. Additionally, several congressional committees are entitled to regularly receive OA audit reports. Most audit reports will be made available to the public via the TIGTA's internet website.

Because of their wide distribution, all reports must be written in plain language to effectively communicate audit results to the broadest possible audience.

90.2   Guidance Documents.
The OA uses guidance documents and templates to improve document quality and establish standards for consistency. The guidance documents/templates show basic organizational and layout principles to prevent reinventing report format for each new project. Use of these guidance documents and adherence to the prescribed formatting is required. The report template for draft reports is included in the Templates sections of Microsoft Office Word and TeamMate+ and in the Report Guidance folder in the Guidance section of the OA's SharePoint website.

For additional guidance in preparing and formatting draft and final reports, auditors should refer to the *Report Format Handbook* and Draft and Final Report Guidance Documents, which are also maintained in the Report Guidance folder.

The report template should be used when a new discussion draft/draft report is prepared and should be saved as a discussion draft or draft report file as appropriate. Once the draft report is issued and management's response is received, the same draft report file should be used when preparing the final report. This file should then be saved as the final report file.

When preparing a final report, make all necessary changes from a draft to a final report, including incorporating management's response, removing the "Draft" designation, and typing the final report transmittal text over the draft report transmittal text.

While guidance documents/templates provide valuable guidelines, they should not prevent creative solutions and variations (within the body of the documents) when appropriate to enhance the delivery of the message. Use of these guidance documents and adherence to the prescribed formatting is required.

90.3   Office of Audit Reporting Documents.
The OA's audit results are reported to IRS management in memoranda and/or audit reports.

These documents are written communications to IRS executive management describing:

- The scope of audit work performed.

- Significant results of the review, including accomplishments, program effectiveness, problems, conditions, and conclusions.

- Proposed recommendations and corrective actions.

The OA's documents may identify program and operational deficiencies as well as ways to improve operations. Likewise, reports should acknowledge operations that are determined proper, efficient,

and effective. Written documents should be complete, accurate, objective, convincing, clear and concise. They should have the following characteristics:

- Elements of audit finding (Condition, Criteria, Cause, Effect and Recommendation).

- Evidence presented in a supported, unbiased manner so that readers can be persuaded by the facts and encouraged to act on findings and recommendations.

- Supported by sufficient, documented evidence in workpapers.

- Referenced before issuance.

If an audit is terminated prior to its completion and enough work is completed to render an opinion, the results should be communicated in an audit report. While issuance of a report will normally occur, in some instances the audit team may decide to issue a memorandum notifying management of the termination of the project. In addition, the auditors should document in the TeamMate+ file the results of the audit work performed as well as the reason the audit was terminated. In addition, the responsible AIGA should approve the termination of the audit.

90.4 <u>Issuance of Treasury Inspector General for Tax Administration Seven-Day Letter Reports</u>. The Inspector General Act of 1978 as amended provides that the Inspector General (IG) shall immediately report to the Secretary of the Treasury any particularly serious or flagrant problems, abuses, or deficiencies in the administration of IRS programs or operations. In those instances, the Secretary is required to transmit such reports, together with a report containing any agency comments, to the appropriate committees or sub-committees of the Congress within seven calendar days.

While this type of report is seldom used, the AIGAs are responsible for identifying the need for such a report and recommending to the Deputy Inspector General for Audit (DIGA) and the IG that such a report be issued. This process could be used, for example, when management does not allow auditors access to certain records.

90.5 <u>Reporting on Noncompliance with Laws Involving Potential Illegal Acts</u>. Auditors should report all significant instances of noncompliance and abuse discovered during an audit. All illegal acts should be referred directly to TIGTA's Office of Investigations (OI).

Noncompliance is defined as a violation of laws and regulations or a violation of provisions of contracts or grant agreements. Abuse occurs when the conduct of a government function falls far short of societal expectations for prudent behavior.

A court of law makes the final determination as to whether an illegal act has occurred; therefore, auditors should take care to conclude that illegal acts likely occurred and not imply in the report that they have made a legal determination.

If auditors communicate noncompliance/potential illegal acts in a memorandum to IRS management, they should refer to that memorandum in the audit report. Workpapers should document all communications to the auditee about noncompliance.

When auditors conclude that an illegal act has likely occurred, a referral to the OI will be prepared. See **Section (300)-70.6** for detailed instructions on how referrals should be processed and routed. The OI will also be asked to determine if reporting certain information about the illegal act would compromise investigative or legal proceedings. Auditors should limit their reporting to matters that would not compromise these proceedings, such as information that is already part of the public record.

Additionally, reports that include potential issues relating to potential illegal acts should be reviewed by personnel in TIGTA's Office of Chief Counsel, prior to any report being issued to the IRS, to ensure that the conclusions reached are accurate and the issues properly presented.

90.6   <u>Indexing of Office of Audit Documents</u>.
The purpose of indexing is to ensure that supportable, factual statements contained in OA documents can be traced to original supporting workpapers and/or detailed schedules. Indexing identifies the source documents necessary for the independent review conducted by the referencer.

The TeamMate+ Project Manager developed an Indexing & Referencing toolbar to be used in Microsoft Office Word to automate and simplify the indexing and referencing tasks.

This toolbar provides point-and-click buttons that can be used to:

- Create the reference page.

- Enter the reference page header information.

- Insert endnotes.

- Set endnote numbering to TIGTA standard.

- Insert referencer tic marks.

- Insert referencer's, Manager's, and Director's comments in appropriate fonts.

- Delete all endnotes (for preparing report for issuance).

The auditor can click on "Reference/Comment Page Setup," then select "Insert Reference Page Header Text." A series of four prompts appear, asking for user entry of the header information. This results in the following header text:

TIGTA – Audit Reporting Document Reference Page

Referencer: _Lname, Fname_
Lead Auditor: _Lname, Fname_
Audit Manager: _Lname, Fname_
Director: _Lname, Fname_

The indexer should place an endnote at the end of each statement or figure requiring supporting documentation; including opinion and conclusion statements. Opinions and conclusions should be indexed to Procedure Summaries, summary analyses, or other workpapers that the opinions and conclusions are based on for support. An endnote listing will be maintained at the end of the document following the last line of text. To separate this listing from the body of the document, the indexer should place a page break immediately following the last entry of text. See **Exhibit (300)-90.1**

The indexer should use TeamMate+ point-to-point hyperlinks. When necessary, type in the appropriate page, worksheet and cell, or other precise reference. This will assist the referencer in finding the precise location to reference in the document.

Once indexing is completed, documents are ready for referencing.

90.7   Referencing of Office of Audit Documents.
All OA documents issued to external parties reflect our professionalism and credibility. The indexing and referencing processes are designed to ensure consistency among supporting workpapers, document text, and related attachments before distribution. This process is in keeping with GAGAS paragraph 5.02, which provides that an audit organization conducting engagements in accordance with GAGAS must establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements. One of the elements of, and a very significant part of, the OA's system of quality control is the referencing process.

Generally, all documents slated for external distribution (with exception to discussion draft reports) must be indexed and referenced before issuance. Audit staff are still required to _index_ all discussion draft reports before these reports are issued to IRS management. The referencing process must be completed prior to issuance of the Draft Report. Audit Managers and Directors share the responsibility to ensure that the referencing process is one of the last of several effective quality control processes.

Generally, one auditor references all documents associated with a single OA project. Directors will make all referencer assignments and should consider the difficulty of the topic and the extent of data analysis involved when selecting a referencer. To help ensure professionalism and impartiality, auditors selected as referencers should:

- Be grade GS-12 or higher, unless approved by the AIGA.

- Have sufficient experience to reference properly.

- Not have participated in the activities related to the documents being referenced.

- Have prior experience in the area audited, when possible.

There may be an instance when logistics and/or resource availability dictate that a document be referenced by a member of the controlling Audit Manager's staff. In this instance, the Audit Manager should ensure that the individual selected to serve as referencer was not previously involved in the activities related to the documents being referenced. In addition, the respective Director will provide direction/instructions to the referencer, manage the referencing process, and oversee the resolution of all referencing remarks. As such, the referencer's comments will be reported directly to the Director.

The following sections provide the responsibilities of the referencer, the Audit Manager and the Director in the referencing process. Additionally, a guidance document, Referencing Guidance, outlining these responsibilities can be found in the Templates section of Microsoft Word and in TeamMate+.

90.8   Referencer's Responsibilities.
The referencer plays a vital role in the audit process. It is the referencer's responsibility to independently verify that all facts, numbers, and statements in the report are accurate and based on evidence in the workpapers. This also includes evaluating the appropriateness and consistency of opinions, conclusions, and recommendations. The referencer is not expected to re-conduct the audit.

Referencers are fully responsible for evaluating all aspects of documents assigned. It is critical that the "substance" of every document be carefully evaluated during the referencing process. The referencer's responsibilities include:

- Inserting "Date Referencing Started" and "Date Referencing Completed" on the lines below the header on the Audit Reporting Document Reference Page and inserting the appropriate dates.

- Reading the entire document to evaluate clarity, consistency, and flow of information. The referencer does not need to comment on grammar and wording choices unless accuracy, clarity, or tone are affected.

- Reviewing the cited indexes in the endnote listing to verify that all factual statements and computations are adequately and accurately supported, mathematically correct, and consistently presented. This includes:

  - Reviewing indexed spreadsheets to ensure that formulas are accurate and all applicable data (cells, columns, worksheets) are included in the formula/ computation.

- Reviewing methodologies, logic, and assumptions to ensure they are based on sound authority, principles, and evidence.

- Ensuring numbers are consistent throughout the report (highlights, transmittal, body, appendices).

- Verifying the accuracy and validity of numerical projections. Also, evaluating the conclusion reached by reviewing the sampling methodology.

  (Note: If judgmental sampling is used, look for implied projections to the population. For example, "*Based on our results, we conclude that employees do not fully understand security requirements for password protection.*" Without a qualifying word before employees, a reader may misinterpret the result to mean all employees. Instead, a qualifying word should be used. For example, *"Based on our results, we conclude that **some** employees do not fully understand security requirements for password protection."*)

- Using the Indexing & Referencing toolbar to:

  - Place a tic mark (✔) and initials next to each endnote verified, or

  - Place a comment (**✗Referencer comment**) if there are concerns as to the accuracy of the statement, or if the referencer feels that anything in the statement is not adequately supported by the indexes provided.

  - When documenting, provide sufficient explanation for the audit team to understand the reason for the comment. A comment will ensure that the point will ultimately be resolved. Any unresolved issues should be elevated to the Director.

- Evaluating opinions, conclusions, and recommendations. These frequently cannot be readily referenced back to specific supporting documentation, since they are judgments made as a result of a sum total of audit work; however, opinions and conclusions should be indexed to Procedure Summaries, summary analyses, or other workpapers that the opinions and conclusions are based on for support. Therefore, they must be evaluated in light of all supporting evidence that could include audit workpapers, procedure summaries, and specific sections of the audit report.

- The referencer should make an overall statement at the beginning or end of the Audit Reporting Document Reference Page about the opinions, conclusions, and recommendations**.** For example, referencer could state, "*The referencer is in agreement with the opinions, conclusions, and recommendation stated in this report unless otherwise noted.*" If the referencer does not agree with any opinion/conclusion or recommendation, he or she should note the point(s) of disagreement in the applicable endnote and in the overall statement.

- Ensuring that footnotes are accurate. Make a specific comment at the beginning or the end of the referencer comment sheet to indicate that all footnotes were referenced, if a tic mark (✔) is not inserted at each footnote.

- Making a note at the beginning of the endnote listing if the referencer must rely on previously referenced work without access to the supporting workpapers.

- Evaluating data validation methods used and verifying data in accordance with OA policy requirements in **Section 300-60.3.3**.

- Determining whether the audit plan subobjectives and tests are indexed to the workpapers. Compare the final audit plan with Appendix I of the report for consistency. If all objectives were not addressed and/or a particular standard was not met, the referencer should determine whether scope limitations or impairments were documented in the workpapers and disclosed in the report.

- Verifying that Appendix II describes the outcome measure(s) and how they were calculated, if appropriate.

- Informing the responsible Audit Manager after referencing is completed. If the referencer is a member of the Audit Manager's team, the referencing comments should be sent to the Director.

Referencers should not have to ask questions of the audit staffers that prepared documents. All documents submitted for referencing should stand alone. It is extremely important that the referencer remain diligent and think critically as an independent reviewer of the audit report. If there are any doubts, questions, or concerns regarding the supporting documentation, the referencer should make a comment and ensure that any additional support and/or audit team responses satisfactorily resolve these concerns.

After the Audit Manager, or his/her designee, addresses the referencer's comments, the referencer should review these comments. If the referencer originally disagreed ("⊠ *Ref Comment: …*") with an index but, based on the Audit Manager's response, subsequently agrees with the index, he or she should then place a (✔) and places initials immediately following the Audit Manager's comment. In order to maintain a "trail" for the referenced document, the referencer **should not** delete the disagreement mark or the comment.

To facilitate the referencing process, the following statements or sections are required by OA guidance to be included in the report body and **do not require** indexing or referencing:

- Title Page (including the report title throughout the report).

- The following Highlights statements:

- Draft report issued on Month xx, 202x (Enter the date the draft report was signed and dated).

- Highlights of Audit of Audit Number: 20xxx0xxx (Enter the year, the business unit number and audit number) to the Internal Revenue Service Commissioner for (Enter the appropriate IRS Division).

- The following Report Transmittal statements:

  - *Heading of the transmittal (i.e. memorandum).*

  - *Attached for your review and comments is the subject draft audit report.*

  - *We would appreciate receiving the IRS response to the finding(s) and recommendation(s) in this draft report within 30 calendar days from the date of this memorandum. We are also providing the Director, Enterprise Audit Management, copies of the report for appropriate distribution within the IRS.*

  - *Appendix II of this report provides a detailed description of this/these benefit(s), which will be included in the Semiannual Report to Congress. Please include in your response concurrence or nonconcurrence with the described benefit(s). If you do not concur, the response should specify the amount at issue as well as the reason for nonconcurrence.*

  - *It is our policy to make all Inspector General audit reports available to the public. Accordingly, we are also asking you to review the draft report from a disclosure perspective. If you identify any information in the report that would warrant protection under the Freedom of Information Act, the Internal Revenue Code, the Privacy Act, or any other applicable laws, please advise us as to the specific material needing protection and the justification for requesting that the information be withheld. It is important that you articulate how the release of this information could impair tax administration. You should respond to the disclosure review separately so that any discussion of sensitive information is not included in your response to the finding(s) and recommendation(s) that will be included in the final report. We will consider your proposed restrictions before releasing the report to the public.*

  - *Please contact me at (202) 622-6510 or [enter appropriate Assistant Inspector General's name], Assistant Inspector General for Audit [(enter title of business unit)], at [enter telephone number] if you have questions.*

  - *Attachment*

- Table of Contents.

- The following standard footnotes:

- *A judgment sample is a nonprobability sample, the results of which cannot be used to project to the population.*

- *The x-year forecast (x = number of years used) is based on multiplying the base year by x (number of years) and assumes, among other considerations, that economic conditions and tax laws to not change.*

- The following statement in Appendix I – Detailed Objective(s), Scope, and Methodology:

  - *We conducted this performance audit in accordance with generally accepted government auditing standards. These 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(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective(s).*

  - *Listing of major contributors to the report.*

  - *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.*

- The following statements in Appendix II – Outcome Measure(s).

  - *This appendix presents detailed information on the measurable impact that our recommended corrective action(s) will have on tax administration*.

  - *This/These benefit(s) will be incorporated into our Semiannual Report to Congress.*

  - *Footnote – A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.*

  - *Footnote – The x-year forecast (x=number of years used) is based on multiplying the base year by x (number of years) and assumes, among other considerations, that economic conditions and tax laws do not change.*

- Abbreviations.

90.9 <u>Manager's Responsibilities</u>.
Audit management can facilitate the referencing process by practicing the following actions:

- Build sufficient staff and calendar days into estimated audit costs.

- Set reasonable deadlines for the referencer to complete his or her task.

- Ensure that documents are completely indexed prior to referencing, including all procedure summaries.

- Ensure that all elements of a finding are included in each finding section of the report.

- Discuss the audit with the referencer to ensure he or she has a good understanding of the audit's intent or message.

- Use the same referencer for memoranda and draft reports.

- Ensure that all workpapers and coaching notes used to support the Final Report have been reviewed prior to final report issuance.

Audit Managers are responsible for:

- Addressing all the referencer's comments (on the Endnote listing) and determining whether to make changes, provide additional information, or pass. **All decisions to pass must be justified.** The Audit Manager should note any decisions made immediately following the referencer's comments. Although this responsibility may be delegated to Senior Auditors, Audit Managers must review the actions taken by the Senior Auditor and are ultimately responsible for all decisions and actions taken. The Manager/Lead should input his or her initials and date to provide an audit trail of agreed changes or the decision to pass on the comments suggested by the referencer.

- Conducting a final review of all referencer's comments and assuring that actions are taken and documented to resolve the referencer's points. Any unresolved issues should be elevated to the Director.

- Ensuring all material changes made as a result of comments received from the Office of Management and Policy, the AIGA and/or DIGA are referenced. At a minimum, the last version of each document must be re-referenced before it is issued. Although re-referencing may only require focusing on selected portions of a document, the entire document must be evaluated to ensure consistency in content, style, and narrative flow.

- Providing timely feedback to the referencer's immediate manager for evaluative purposes.

- Ensuring that all indexing and referencing documents are included in the TeamMate+ project file.

- Reviewing all referencer comments and audit team responses when the Audit Manager delegates the responsibility of addressing the referencer's comments. The Audit Manager is still responsible for the referencing. The Audit Manager should note this review by inserting his

or her initials and date of review on the header of the Audit Reporting Document Reference Page for each version of the referenced report.

Directors should:

- Verify that all audit work was conducted in accordance with *Government Auditing Standards* and the report reflects the level of adherence to the standards.

- Ensure that all elements of a finding are included in each finding section of the report.

- Make all reference assignments. Consider the difficulty of the topic and the extent of electronic data processing analysis involved when selecting a referencer. When possible, referencers should not be selected from auditors within the issuing group. Exceptions can be made when compliance with this policy will severely affect limited travel resources or the ability to timely accomplish the OA mission. In these instances, the Director will manage/ oversee the referencing process.

- Resolve any differences between the Audit Manager and the referencer. The Director should insert his or her decision and comments, initials, and date directly at the endnote after the referencer's comment or disagreement mark. See the example in **Exhibit (300)-90.1**.

- Review all referencing comments **before** documents are issued.

- Ensure all material changes made as a result of comments received from the Office of Management and Policy, the AIGA and/or DIGA were referenced. At a minimum, the last version of each document must be re-referenced before it is issued. Although re-referencing may only require focusing on selected portions of a document, the entire document must be evaluated to ensure consistency in content, style, and narrative flow.

- Review the referencing comments and audit team responses. The Director should note the review by inserting his or her initials and date of the review in the header on the Audit Reporting Document Reference Page for each version of the referenced document.

90.10   Relying on the Work of Others.
Frequently, auditors must rely on the work of OA personnel in other offices during the audit, *e.g.*, collateral requests, or audit work that will be reported in a roll-up report to management. If the "work relied on" is reported in a memorandum or audit report, the Audit Manager issuing the document is responsible for ensuring that the indexing and referencing of the written document prior to its issuance to management.

90.11   Interim Reporting Documents - Memoranda and Discussion Draft Reports.
The OA's memoranda are used to promptly advise IRS operational management in writing of significant problems or adverse conditions. They should closely reflect what has been discussed orally and be referenced prior to issuance. Memoranda will be issued to the head of office or IRS

executive (*e.g.*, Chief Financial Officer; Commissioner, Wage and Investment Division; Director, Compliance, *etc.*) most responsible for taking corrective action on the issues covered in the document. Memoranda may be used to:

- Clearly and concisely identify problem areas with their conditions, criteria, causes, and effects.

- Secure agreements to the facts, which may expedite the issuance of audit reports.

- Advise auditees when and why an audit is being terminated prior to completion of audit work or issuance of a formal report.

Discussion draft reports are used to provide IRS management with timely information regarding audit issues identified, recommendations that will be reported to the IRS Commissioner, and to obtain their concurrence with the facts and recommendations. At the conclusion of fieldwork, the audit team will meet with IRS management to discuss the issues being included in the report, verify that information gathered is accurate, and obtain management's perspective on the audit issues and outcome measures. The IRS's complete concurrence at this meeting is not required before issuing the discussion draft report.

Within **five days** after issuing the discussion draft report, IRS management may request a formal closing conference to discuss the draft report's content, conclusions, recommendations, and outcome measures. If requested by the IRS, a closing conference will be scheduled prior to the issuance of the draft report.

All memoranda and discussion draft reports will be issued and signed by the appropriate AIGA. When the issues are contentious or have significant impact on tax administration or program operations, copies of the memoranda must be sent to the DIGA at least **three** workdays before issuance of the document. Under certain circumstances, the DIGA may decide to issue the memorandum.

The Audit memorandum will stipulate the type of response required and the date the response is due (usually within 15 calendar days of the memorandum issuance date). The issuing OA official and responsible IRS management official will communicate directly on matters relating to the memoranda. These documents will not normally be routed through the IRS Commissioner's office. If responses are not timely received, the DIGA may advise the IRS Commissioner's office of the delay.

Electronic copies of all memoranda and discussion draft reports should be provided to the Office of Management and Policy's (OMP) ***TIGTA Audit PGP1*** e-mail address within **two workdays** of issuance. The **Audit Memo Template** is included in the Templates sections of Microsoft Office Word and TeamMate+.

90.11.1 <u>E-mail Alerts or Other Immediate Notifications</u>. During fieldwork, certain issues or findings may warrant IRS management's immediate attention or corrective action. The respective AIGA may choose to issue e-mail alerts or notifications to provide management with the necessary information

to take immediate corrective action, instead of issuing a formal memorandum. The information contained in the alert or notification will typically be included in the audit report issued to management, which is subjected to the quality assurance process.

While the use of these alerts or notifications is not required, if used, the alert or notification must clearly state that the information contained in the alert or notification has not been subjected to the OA's quality assurance process. In some form, the following should be included into the alert:

> *This document (or e-mail) has not been subjected to the Treasury Inspector General for Tax Administration's (TIGTA) quality review process and remains the property of TIGTA. It may not be disseminated beyond the IRS without the permission of TIGTA. This document (or e-mail) may contain confidential return information protected from disclosure pursuant to I.R.C. § 6103(a). Such information may be disclosed only to Department of the Treasury employees who have a need to know this information in connection with their official tax administration duties.*

90.12 Audit Reports.
To ensure their maximum usefulness to IRS management and other interested parties, audit reports must be issued timely. A report may be of little value to decision-makers if the audit report is issued too late for corrective action to be taken.

The OA's reports generally contain the following sections:

- Title Page.

- Highlights Page.

- Transmittal Document (Draft and Final Reports).

- Table of Contents.

- Background.

- Results of Review.

- Appendix I – Detailed Objective(s), Scope, and Methodology.

- Appendix II – Outcome Measures.

- Management's Response.

  - For a discussion draft/draft report, include any memorandum(a) issued and Management's Response to Memorandum(a).

- For final reports, also include Management's Response to the Draft Report.

- Abbreviations.

- Other Appendices as needed.

The **Audit Report Template** for draft and final reports is located in the Templates section of Microsoft Office Word, in the Report Guidance folder in the Guidance section on the OA's SharePoint website, and in TeamMate+. For information on preparing audit reports using a Microsoft Office PowerPoint template, please see **Section (300)-90.20.**

The DIGA's Staff Assistant will ensure the electronic versions of discussion draft, draft and final reports are provided to the *TIGTA Audit PGP1* e-mail address at the time the report is signed. However, issuing offices must send all other required documents (*e.g.*, Audit Plan Addendum, *etc.*) to the *TIGTA Audit PGP1* e-mail address within **two workdays** of report issuance.

90.12.1   Title Page. All reports contain a title page. Report titles should reflect the overall message to be conveyed to IRS management, rather than simply identify what office, system, *etc.*, was reviewed. The word "DRAFT" should be centered under the title for draft reports. For final reports, the month and year of report issuance should be centered under the title. The Reference Number (20xx-xx-xxx) should be centered under the month and year, with the words spelled out and followed by a colon.

The title page for discussion draft, draft and final reports should include the statement:

> *This report remains the property of the Treasury Inspector General for Tax Administration (TIGTA) and may not be disseminated beyond the Internal Revenue Service without the permission of TIGTA. This report may contain confidential return information protected from disclosure pursuant to I.R.C. § 6103(a). Such information may be disclosed only to Department of the Treasury employees who have a need to know this information in connection with their official tax administration duties.*

This statement will be revised by personnel in the Office of Management and Policy (OMP) when the final report is prepared for public issuance as follows:

> *This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.*

The title page will also include TIGTA's contact phone number in the footer of the title page under the contact information.

90.12.3   Highlights Page.
The Highlights page will allow TIGTA to advise the public, in a one-page format, of the impact of the

audit on taxpayers, why we conducted the audit, what we found, and what we recommended. The Highlights page does not replace the report transmittal.

While the information in the Highlights page should be supported in the final audit report body, its main purpose is to provide information that can be easily understood by an outside (average) reader. Thus, the document should minimize the use of abbreviations, have no footnotes, and should not include material that needs to be redacted from the report before posting of the report to the TIGTA public website.

A general description of what should be included in each section of the document follows.

- **IMPACT ON TAXPAYERS** – This section should consist of a brief narrative that is supported by the audit report as a whole and include, for context, background about the area audited and how the audited area affects taxpayers in general. [Note: This section should not include results from the audit.]

- **WHY TIGTA DID THE AUDIT** – This section should provide enough information to justify/explain why the audit was worth doing, a limited amount of background information, and the audit's objective(s).

- **WHAT TIGTA FOUND** – This section should include a brief summary of the most significant conditions/issues noted in the audit report.

- **WHAT TIGTA RECOMMENDED** – This section should include a synopsis of recommendations made, a general statement about IRS management's agreement (or not) to the recommendations, and a general statement that IRS management has taken and/or plans to take appropriate corrective actions. However, if a report includes many recommendations, list only those recommendations the audit team deems to be the most important to keep within the one-page space limitation. If the audit team desires and space allows, this section can include <u>brief</u> statements regarding both IRS management's basis for disagreement with any recommendation(s) and the OA's rebuttal (comments).

The Highlights page will reflect when the report is a draft rather than a final report. Specifically, following the report title and the "Highlights" caption, the format should be:

- Draft Report issued on ((insert month, day, year).

- Following the date, insert Audit Number.

- Under the section "What TIGTA Recommended," leave sufficient room to summarize management's response to the recommendations.

- Because this is a draft report, management's response and any possible OA comments are not known at the time of issuance.

The Highlights page should be converted to final report format by substituting the draft report issuance date with the final report issuance date. Management's response to the recommendations should be summarized and, depending on their significance, OA comments. If the audit team wants to express additional OA comments to address more general IRS management comments (*e.g.*, those not related specifically to the recommendations or outcome measures), the audit team may do so in the final report transmittal.

The Highlights page and transmittal are treated independently. The Highlights page will follow the same abbreviations and rules as we currently use for our final report. Specifically, do not spell out TIGTA or use "we." Likewise, to the extent abbreviations are used in the Highlights, the abbreviations will need to be identified (*e.g.*, spelled out at first use) again in the transmittal.

90.12.4   Transmittal Documents. The draft report transmittal is part of the draft report. The office initiating the report will prepare the draft report transmittal using the format provided in the draft report template. The DIGA will sign all draft reports and the appropriate AIGA will be identified as the additional point of contact.

The transmittal will continue using the "Memorandum For," "From," and "Subject" lines. The first paragraph will provide the overall objective, why we performed the audit, the most recent fiscal year audit plan in which the audit is included (if applicable), and the IRS major management challenge the audit addresses.

The second paragraph is a standard paragraph requesting IRS management's response and that we are providing the Director, Enterprise Audit Management, copies of the report for appropriate distribution within the IRS.

The third paragraph summarizes, if applicable, any outcome measures and the IRS official(s) with whom the outcomes were discussed. The paragraph will call attention to any Outcome Measures included in Appendix II of the report. This paragraph is necessary so that IRS management is provided the opportunity to agree to or dispute the proposed outcome measures. The required paragraph is shown in the draft report template. If the report does not contain quantifiable outcome measures, this paragraph is not required in the draft audit report transmittal, and Appendix II is not necessary.

The next paragraph is the standard paragraph we use to ask the IRS if they have any disclosure issues. To help ensure restricted information is not released to the public and to solicit management's input on what may constitute restricted information, draft report transmittals will contain the following paragraph:

> "It is our policy to make all Inspector General audit reports available to the public. Accordingly, we are also asking you to review the draft report from a disclosure perspective. If you identify any information in the report that would warrant protection under the Freedom of Information Act, the Internal Revenue Code, the Privacy Act, or

any other applicable laws, please advise us as to the specific material needing protection and the justification for requesting the information withheld. It is important that you articulate how the release of this information could impair tax administration. You should respond to the disclosure review separately so that any discussion of sensitive information is not included in your response to the findings and recommendations that will be included in the final report. We will consider your proposed restrictions before releasing the report to the public."

In the final report transmittal, we do not include contact numbers for the DIGA or AIGA. The transmittal statement should read: If you have any questions, please contact me or [enter appropriate AIGA's name], Assistant Inspector General for Audit [enter title of business unit].

In summary, the transmittal will not have the following sections: Impact on the Taxpayers, Synopsis, Recommendations, and Responding to This Report.

For final reports, the transmittal will include the same first paragraph as was used in the draft report transmittal describing the audit objective, purpose of the audit, *etc*.

To address general IRS management comments, the audit team may succinctly summarize the OA's comments in the transmittal in paragraph form. The audit team should not attempt to summarize in the transmittal OA's comments related to disagreed outcome measures or recommendations that are already included in the report body. Such information, in a general manner, should be included in the report Highlights document. Importantly, audit teams should refrain from including too much information in the final report transmittal to reduce redundancy among the Highlights, transmittal, and report body.

Unless the audit team is elevating a significant disagreement with IRS management on a finding or recommendation, the final sentences in the report transmittal should be the standard sentence stating which appendix contains management's response and that copies of the report are being distributed to the IRS managers affected by the report recommendations, as well as the AIGA contact information.

The DIGA will transmit the **draft** report to the appropriate Commissioner(s) or other heads of office so it may be tracked to ensure responses are sent to the IG within **30 calendar days**. If there are three or more operating divisions or separate IRS entities involved, the report will be addressed to the appropriate Deputy Commissioner and the Commissioner of the operating division involved will be listed on the Report Distribution List. The words "Response Date" and an applicable date should be shown in the upper right hand corner of each draft report transmittal. Some instances may require a shorter response time; therefore, the transmittal should clearly stipulate the response date. Draft reports issued during December may be granted a **45-day response period**. Please refer to the Audit Product Distribution Procedures matrix in **Exhibit (300)-90.4** for the correct distribution of reports.

The DIGA's Staff Assistant will e-mail the draft report to the Director, Enterprise Audit Management, for appropriate distribution.

The audit number must be included in the subject line of the draft and final report transmittals.

The **final report** transmittal is part of the final report. The issuing office will prepare the final report transmittal using the format provided in the final report guidance document. The final report guidance document can be found on the OA's SharePoint website under Reports Guidance. The DIGA will sign all final reports and the appropriate AIGA will be identified as the additional point of contact.

Reasonable efforts should be made to obtain responses to our reports. However, when IRS management does not respond timely to our draft reports, the OA will issue the report without a response. The final report transmittal will include the wording, "Management's response was due on **x date**. As **of y date**, management had not responded to the draft report." This wording should also be included after the first recommendation in the report. It is not necessary to repeat this statement after each recommendation section of the report.

The DIGA's Staff Assistant will e-mail the final report to the Director, Enterprise Audit Management, for appropriate distribution. Enterprise Audit Management personnel will distribute the report to the respective National Headquarters officials.

Reports that are designated as SBU must follow the guidelines provided in
Section (300)-90.19.

If we become aware of an error or someone brings an additional material fact to our attention that we were not aware of and it turns out to be important to the context or conclusion, the audit team should contact the appropriate IRS officials and the report should be removed from the TIGTA publicly accessible website. The audit team should determine whether additional audit work needs to be conducted including revising findings and conclusions. The final report should be updated as appropriate and re-issued to the proper officials and the corrected report should be reposted to the TIGTA publicly accessible website.

For guidance on the use of "Office of Audit Comments" in the transmittal and body of the report, please see **Section (300)-90.12.13**.

90.12.5   Table of Contents. All reports will contain a Table of Contents. All major words in the Table of Contents and the finding headings should be capitalized. These headings should be verbatim throughout the entire report and should not contain acronyms and abbreviations.

The Table of Contents should refer to the Appendix page number and not the Appendix number. Each appendix should not begin with page one. Page numbering for the entire report will be consecutive.

90.12.6   Abbreviations. This section provides a list of abbreviations used in the report and defines the abbreviation. All abbreviations used in the report will be listed on the very last page of the audit report. Abbreviations will only need to be identified in the first report section in which they occur.

Abbreviations should be used to make the report more easily understood and to avoid the need to spell out terms or titles multiple times. **As general guidance**, if an abbreviation is used four or fewer times in a report, it should be spelled out each time. However, there is no hard and fast rule for when an abbreviation must be used. Instead, the following factors should be used in deciding whether to abbreviate a term: the frequency with which an abbreviation is used, the overall number of abbreviations in a report section, and the span between the uses of an abbreviation. Auditors should look for opportunities to reduce the number of abbreviations used.

Recognizing that the distribution of our reports includes the general population and media who may not have technical knowledge, auditors should limit the use of abbreviations and other technical language in reports.

90.12.7   Background. This section should provide a historical context for the report and information necessary to understand the report. If extensive detailed information is necessary, the background information may be placed in an appendix to the report.

The background section should identify whether the GAO has performed or is performing any related audits in the area. If there is no current or recent GAO audit work in the area being reviewed, no comment is necessary.

90.12.8   Results of Review. This section provides concise information addressing audit findings. All elements of a finding must be included for each issue identified in the report. In addition, positive comments/findings should be included, when appropriate, to ensure balance in the report. (For positive findings, only the condition and criteria need to be reported.) These sections also report the status of uncorrected significant findings and recommendations from prior audits that affect the objectives of the current audit. This section:

- Briefly contains the source of any computer-generated data evaluated and the methods used to determine their validity and reliability. These statements may also be documented in the Detailed Objective(s), Scope, and Methodology section, depending upon the nature, size, and sensitivity of the condition or recommendation the data support.

- Describes the audit work conducted on internal controls and any significant weaknesses identified during the audit. When evaluating internal controls, significant weaknesses found should be considered deficiencies and identified in the audit report. Deficiencies detected in internal controls which are not significant to the audit objectives should be discussed with management and documented in the workpapers. The controls that were reviewed should be identified to the extent necessary to clearly present the objectives, scope, and methodology of the audit. Auditors will report control weaknesses identified, to include the condition, criteria, cause and effect of the issue identified and proposed recommendation.

- Describes any internal control weaknesses that could allow integrity breaches (such as, fraud, waste, or abuse) to occur. Information on these weaknesses should be included, to the extent possible, even integrity referrals to the OI are pending. OI should be consulted to ensure that information reported will not jeopardize an ongoing investigation.

- Presents recommendations on actions management may take to correct the deficiencies cited.

- Includes a summary of IRS management's response to the recommendations made after each finding area.

For reports with disagreed findings or recommendations, auditors should reflect in the final report the basis for management's disagreement and the OA's response/rebuttal. The OA response should include a convincing rebuttal to management's position and state why the findings and recommendations are still valid. If management's position is valid, then this condition should be acknowledged. For additional guidance on the use of "Office of Audit Comments" in the transmittal and body of the report, please see **Section (300)-90.12.13**.

Assessing the Reliability of Computer-Processed Data

The results and basis for assessing the reliability of computer-processed data must be documented in the workpapers **and** the audit report. See **Section (300)-60.3.3** for more information on assessing the reliability of computer-processed data. The reporting requirements for documenting the assessment of computer-processed data follow.

If computer-processed data are used or included in the audit report, Appendix I (Detailed Objective(s), Scope, and Methodology) should describe the steps taken to assess the data, any relevant data concerns, and the auditors' judgment about the reliability of the data for the audit's purpose, and the basis for its determination. The data sources and the methods used to determine data reliability must be clearly stated in the report. If data reliability could not be determined, or was not established to the extent normally desired, the report should contain a clear statement to that effect including the impact on the audit results. **If the team did not assess the reliability of the computer-processed data, a statement should be included in the report on why and how not assessing the reliability of the data will affect the results contained in the report.** Further, a statement of an exception to the GAGAS should be included. Finally, if the computer-processed data are used or included in the report for background or informational purposes, the source of the data (*e.g.*, name of a database, system, or application) will be cited in the report. The requirement for commenting on the source of computer-processed data and audit tests performed to assess the validity and reliability applies to deficiencies and to computer-processed data used to report positive findings, conclusions and opinions.

The report language will vary depending on whether the data are: (1) sufficiently reliable, (2) not sufficiently reliable, or (3) of undetermined reliability. In addition, the report may need to discuss the reliability of the data in other sections of the report, depending on the importance of the data to the

message. See the Appendix IV of the GAO Guide, ***Assessing Data Reliability*** (**GAO-20-283G**), dated December 2019, for examples of appropriate language to include in the report.

- <u>Sufficiently Reliable Data</u> – Present the basis for assessing the data as sufficiently reliable, given the research questions and intended use of the data, including:
  - an explanation of the steps in the assessment;
  - a description of any corrections made to the data; and
  - a description of any data limitations, which could include an explanation of why using the data does not lead to an incorrect or unintentional message, how limitations could affect interpretation of the message, and why any data limitations are minor in the context of the engagement.

- <u>Not Sufficiently Reliable Data</u> – Present the basis for assessing the data as not sufficiently reliable given the research questions and intended use of the data. This presentation includes:
  - an explanation of the steps in the assessment;
  - a description of the problems with the data;
  - an explanation of why the data problems have the potential to lead to an incorrect or unintentional message; and
  - a statement that the report contains a conclusion or recommendation that is supported by evidence other than these data, where applicable.

  Finally, if the data are not sufficiently reliable, auditors may consider whether to include this as finding in the report and recommend that the audited organization take corrective action (see GAO-20-283G, Section 5 for factors to consider and possible follow-up actions).

- <u>Data of Undetermined Reliability</u> – Present the basis for assessing the reliability of the data as undetermined given the research questions and intended use of the data. This presentation should include an explanation of the steps in the assessment and the reasons for the determination, for example, the deletion of original computer files, data limitations that prevent an adequate assessment, or the lack of access to the data source or to needed documents.

  Further, if the audit team in consultation with the auditing organization's management has decided to use data of undetermined reliability, the team needs to explain the rationale for using the data despite this determination. This may include that the data are supported by credible corroborating evidence, are widely used by outside experts or policymakers, or are used as a general indicator and not to support specific findings. In addition, auditors should clearly describe the limitations of the data so that incorrect or unintentional conclusions will not be drawn from them. For example, auditors can indicate how using these data could lead to an incorrect or unintentional message. Finally, if the report contains a conclusion or recommendation that is supported by evidence other than the data of undetermined reliability, it may be useful for the report to include a statement explaining this.

90.12.9   <u>Detailed Objective(s), Scope and Methodology</u>. All reports will contain a Detailed Objective(s), Scope, and Methodology appendix. This appendix should provide sufficient information

to enable the reader to identify the scope and extent of testing, including the evidence gathered, the analysis techniques used, and a description of any sampling techniques used.

While the sampling method selected by auditors depends on a variety of factors, it is important that the auditors allocate sufficient time to the selection of an appropriate method to ensure that the sampling objective is achieved. In addition, when describing the chosen sampling method, OA audit reports should consistently provide the same type of information for each respective method.

In summary, OA auditors may use a nonprobability or probability sampling method, as appropriate. Regardless of the method used, audit reports must state the basis for the chosen method, the sample size, and the population size. The use of a probability sample, when appropriate, must include additional attributes that are described later. If a statistician or other contractor is consulted regarding sampling, this must be documented in the scope section of the report.

The following sections describe the OA sampling method, examples where their use would be appropriate, and the corresponding terminology and sampling attributes that should be described in the audit reports.

<u>Nonprobability sample</u> – A sample selection method in which every item does not have a known positive chance of being selected. The sample results cannot be projected to the population. Typically, nonprobability sampling is used when there is no need to generalize the outcome measure to the population. (If using nonprobability sampling, conclusions and/or inferences cannot be made to the population based upon the sample). Examples include judgmental and convenience samples. For example, a judgmental sample may be sufficient to show a control weakness or prompt management to take corrective action.

However, because the auditor's discretion was used to select the items to be sampled, there is no way to know if the sample results reflect the characteristics of the population. The use of this term suggests to the reader that a bias may exist. Therefore, audit results and corresponding outcome measures cannot be projected.

The audit report must describe the type of nonprobability sample used (*e.g.*, judgmental sample, convenience sample, *etc.*), the reason for selecting the sample, the criteria for sample selection, the sample size, and the population,[1] if known. This information is usually presented in Appendix I. For example, an audit step in Appendix I may state:

> "Selected a judgmental sample of 100 taxpayer accounts that contained Transaction Code (TC) xxx from the population of 4,573 taxpayer accounts. We selected a judgmental sample because we wanted to focus on those accounts with erroneous refunds of over $7,000."

In this example, the type of sample taken was a judgmental sample, the reason for selecting a judgmental sample was to focus on certain accounts, and the criteria for the sample selection were

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[1] If auditors cannot determine the population after making a reasonable attempt, then a judgmental sample can still be performed. The report should provide the reason why the population could not be determined.

taxpayer accounts with a TCxxx and the dollar amount of the erroneous refund over $7,000. The population and sample sizes were 4,573 and 100, respectively.

Probability sample – A sampling method where each sampling unit in the population has a known positive probability of selection. A probability sample allows the auditor to make a confidence interval statement for an outcome measure about the population from which the sample was selected. Typically, population projections are made based on an attribute measure (*i.e.*, Yes or No – is a control working as intended) or as a variable measure (*i.e.*, penalty dollars). Examples include simple random samples, interval (systematic) samples, and stratified random samples.

The audit report must describe the type of probability sample used (*e.g.*, random, systematic, stratified, *etc.*), the reason for selecting the sample, the criteria for sample selection, and the population and sample sizes. This information must be included in the body of the report, Appendix I, and/or Appendix II, as appropriate. This information must be presented so that the reader can determine the extent to which the results are representative of the population. For example, if a sample size is too small, the resulting precision could be so wide as to call into question the usefulness of the projection.

For example, an audit step in Appendix I may state:

> "Selected a simple random sample of 100 taxpayer accounts that contained TCxxx from the population of 4,573 taxpayer accounts. We selected a random sample to ensure that each account had an equal chance of being selected."

In this example, the type of sample was simple random, the reason for selecting the random sample was to ensure each account had an equal chance of selection, and the criteria for the sample selection were taxpayer accounts with a TC xxx. The population and sample sizes were 4,573 and 100, respectively.

If a probability sample is used and the results are projected to the population (*e.g.*, statistical sample), the report must include additional sampling criteria in Appendix I. These additional criteria include the precision, confidence level, and expected error rate. For example, an audit step in Appendix I may state:

> "We selected and reviewed a statistically valid sample of 138 taxpayers from a population of 35,350 taxpayers filing a paper return claiming a deduction for alimony less than the IRS examination dollar tolerance in Tax Year 2010. A statistical sample was used to allow the results to be projected to the overall population. We relied on TIGTA's contract statistician to verify our sampling methods. We selected our sample using a 95 percent confidence level, a +/- 5 percent precision, and a 10 percent estimated error rate. Our review of the sample identified 79 tax returns in which alimony does not appear to have been correctly reported by the payer or the recipient. This resulted in a 57 percent error rate and a standard error deviation of +/- 2,923 (17,314 to 23,150)."

All audit reports that provide the results of a probability sample in which a projection is made to the population must disclose the confidence interval via footnotes in the report body and Appendix II. For example, the report body should disclose the results of a statistical sample as follows:

> "Based on a statistically valid sample of 138 cases, we determined that the IRS could assess additional taxes amounting to approximately $14 million if it denied deductions for these employees in Fiscal Year 2011."

The point estimate is $14 million and should be footnoted to provide the confidence interval such as:

> "Our sample was selected using a 95 percent confidence interval, 50 percent error rate, and a ±10 percent precision factor. When projecting the results of our statistical sample, we are 95 percent confident that the IRS could assess additional taxes between $6.5 million and $22 million."

As with any audit procedure, auditors need to exercise professional judgment in the selection of the sampling method that provides the best balance among the achievement of desired audit and sampling objectives, any time constraints, and the desire to quantify audit results.

For additional information on sampling, please refer to **Section (300)-80.4**.

In reporting the scope of the audit, auditors should describe the audit work conducted to accomplish the audit's objectives and should report any significant constraints imposed on the audit by data limitations or scope impairments. Audit reports should avoid any misunderstanding by the reader concerning the work that was and was not done to achieve the audit objectives.

If contractor assistance is used (*e.g.*, statistician), the contractor's assistance should be included on Appendix I. For example, Appendix I could state: "A contract statistician assisted with developing our sampling plans and projections. We used a random sample to ensure that each account had an equal chance of being selected, which enabled us to obtain sufficient evidence to support our results."

All audit reports should use the term "forecast" when referring to outcome measures that are estimated over a multi-year period, usually five years. Only outcome measures arising from probability samples involving statistical analyses or an analysis of the entire population can be forecast to a multi-year period. Multi-year estimates are not statistically valid projections, but are the product of multiplying the statistical projections by a number of years that are subject to variables that affect the accuracy of the multi-year estimates. When audit reports identify multi-year forecasts, the following footnote should be included at each mention in the report body and Appendix II.

> "The five-year forecast is based on multiplying the base year by five and assumes, among other considerations, that economic conditions and tax laws do not change."

The Background section also contains:

- A statement that the audit was performed in accordance with the GAGAS.

- If there is a threat to independence causing an impairment to auditor independence on an audit, the staff member should be reassigned. Any audit work completed by the staff member up to the time of reassignment should be thoroughly reviewed for evidence of bias or other improprieties. If these are found, another staff member should repeat the work, if possible. If repeating the work is not possible, the impairment should be disclosed in the final report.

- A statement on where and when the audit was conducted.

- A statement listing the major contributors to the report.

When the necessary scope of work has been limited or a specific GAGAS standard was not followed, the report should disclose this limitation and explain why it occurred (*e.g.*, time and resource constraints, reliance on internal controls, *etc.*). The report should also discuss any known effect of scope limits or of not following a specific GAGAS standard (GAGAS paragraph 9.12). If this information is too voluminous (*i.e.*, over three sentences) it should be included in Appendix I of the report.

> A statement as to when the audit was conducted will be included in the report. It may read, "The audit began in MMYY and was completed in MMYY."

The Audit Manager and staff will ensure that the audit was performed in accordance with the GAGAS. The referencer should evaluate conformance with GAO standards during the referencing assignment.

All draft reports will include a statement on internal controls methodology in the Detailed Objective(s), Scope, and Methodology section. The following is an example of the required statement:

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 the following internal controls were relevant to our audit objective: [Customize, as appropriate, for each audit].

The Office of Management and Policy will check for the required statement during the quality assurance review process.

The Detailed Objective(s), Scope, and Methodology section will be Appendix I for all reports. This section should be prepared in bulleted format and provide, in general terms, information regarding the

scope (major steps taken to accomplish the objective(s)) and impairments.] The level of major tests presented should give the reader a general grasp of the high-level steps performed.

90.12.12   Outcome Measures. We must communicate with IRS management on those outcome measures that we expect to report based on our audit activities. Appendix II should be titled "Outcome Measures" and should include the measurable impact that our recommended actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to the Congress (SAR). This appendix identifies and explains the type and value of any outcome measure and the methodology used to quantify the reported benefit for each finding and recommendation that contains an outcome measure.

The Type and Value of Outcome Measure bullet should refer to the applicable recommendation in the report. Note: If the outcome measure is associated with a recommendation from a prior report (*i.e.*, there is no recommendation in the current report), the page number on which the associated finding begins should be used.

Appendix II is not needed when a report does not contain quantifiable outcome measures. However, it is expected that the qualitative impact of any significant finding will be included in the appropriate finding section within the report body.

Section (300)-90.12.9 includes guidance on reporting five-year outcome estimates and presenting the results of statistical samples.

Section (300)-90.25 includes details on identifying and reporting outcome measures.

90.12.13   Management's Response to the Draft Report. For discussion draft/draft reports, include as appendices any memoranda issued during the audit. Appendices should also be included for IRS management's responses to the memoranda.

Standards require auditors to include the views of the auditee concerning the findings, conclusions, recommendations, and corrective actions in the report. One of the most effective ways to ensure that a report is fair, complete, and objective is to obtain comments from the auditee. Including the views of management produces a report that shows not only what was found and what the auditors think but also what the auditee thinks about the report and how they plan to correct the problems identified in the report.

A synopsis of the IRS management response to the draft report will be included in the final report. A complete copy of IRS management's response to the draft report will be included as an appendix to all final reports. This appendix should be the last appendix in the final report. However, there may be instances where a final report must be issued without the response of IRS management.

TIGTA will no longer require a hard copy of the IRS's response to the draft report with an original signature. The IRS will convert responses to a portable document format (PDF) file. The PDF response file will be sent to TIGTA at the following e-mail address:

TIGTAAuditIRSResponses@tigta.treas.gov. The IRS executive signature on the management response and any IRS signed documents must contain an original or scanned signature. A digital signature will not be accepted.

To ensure that TIGTA receives the official management response, TIGTA will accept IRS management responses only from a limited number of authorized senders. E-mails from any other IRS personnel will not be considered official and TIGTA will wait for an e-mail from one of the authorized individuals before accepting the IRS's response to a draft report.

The business unit's Management Assistants will monitor **TIGTA Audit IRS Responses* mailbox in Microsoft Outlook and retrieve responses as they are received. The AIGA's office will be responsible for converting the response to a JPG file and inserting the response into the final report.

Whenever the IRS's response is not timely received, the final report should be issued without management's comments. However, reasonable efforts should be made to obtain a response. Decisions to issue reports without management's comments will be made by the AIGA. On those occasions in which a response cannot be received within the required time period, the IRS should request in writing from the DIGA an extension to the response date.

When a response to a report that has been issued without IRS management's comments is subsequently received, the respective AIGA's staff will assess the adequacy of the response. A copy of the accepted response will be submitted to **both** the **TIGTA Audit Reports* e-mail address and the **TIGTA Audit PGP1* e-mail address within two workdays of response receipt. OMP personnel will ensure that the response is cleared through the Counsel, and that the Integrity Data System (IDS) is updated. Naming conventions used in these updated documents should follow the examples in **Exhibit (300)-130.2**. The subsequent response will be posted to TIGTA's public website.

The OA and IRS management are responsible for discussing issues throughout the audit to obtain management input and agreement to the facts; however, complete concurrence with corrective actions is not required. While the OA strives for agreement up front on all reported issues and recommendations, it is impractical to think that agreement will always be obtained. If the AIGA or Director does not agree with IRS management's response, auditing standards require that the report include the reasons why auditees' comments or responses were rejected. Despite efforts to resolve all issues before the issuance of the final report, the following scenarios may occur:

- Management responds that they agree with a finding and recommendation but cannot implement corrective action due to resource constraints (*e.g.*, budget, Information systems change) and will accept the risk.

- Management responds that they do not agree with a finding or recommendation and will not implement any corrective action.

- Management responds that they agree with a finding but will implement a corrective action different from the one recommended by the OA.

- Management responds that they agree with a condition but do not agree that there is a risk involved and will not implement corrective action.

In each of the above cases, the AIGA or Director will assess the specific information provided and determine if the additional information would result in any change to the findings or recommendations made in the draft report. If necessary, the report will be revised.

When the OA receives a response to a final report that was previously issued without the IRS response and areas of disagreement cannot be resolved with IRS management, the respective AIGA should develop a memorandum to the IRS. This memorandum should briefly describe the recommendation, management's response, and the OA's rebuttal/comments. When warranted, the OA memorandum will also invoke additional processing procedures regarding the referral of major disagreements to the Department of the Treasury. This memorandum will be signed by the DIGA. The OA memorandum and a copy of the late IRS report response should be sent to **both** the *TIGTA Audit Reports* e-mail address and *TIGTA Audit PGP1* e-mail address for review and signature by the DIGA. The OMP will forward the response documents to Chief Counsel's Disclosure Branch.

For final reports with significant disagreements, the standard transmittal memorandum will state: "We request that the IRS Commissioner submit, within 30 calendar days of the final report issuance date, a written reply regarding the disagreed recommendation(s) to the Assistant Secretary for Management and Chief Financial Officer of the Department of the Treasury, with a copy to the Treasury Inspector General for Tax Administration. This reply will explain the IRS's reasons for the lack of agreement with the recommendations and/or findings contained in the audit report." The respective AIGA will advise the SAR Coordinator that a significant issue has been elevated to the Department for resolution.

If a copy of the IRS Commissioner's reply is not received within **30 days**, the respective AIGA should follow up with the appropriate IRS operating division Commissioner. The AIGA will verify that the IRS Commissioner submitted a written reply to the Department of the Treasury. The responsible AIGA will forward a copy of the Commissioner's reply to the SAR Coordinator upon its receipt. In accordance with Office of Management and Budget (OMB) Circular A-50, Departmental resolution shall be made within a maximum of six months after issuance of a final TIGTA audit report. If a Departmental response is not received, the SAR Coordinator will be responsible for following up with the Department Chief Financial Officer's staff to assure resolution to obtain appropriate documentation and to provide feedback to the DIGA and affected AIGA. Significant disagreed findings or recommendations will be highlighted in the SAR. If the disagreement is significant enough to merit elevating it to the Assistant Secretary, then the final report transmittal should indicate that we plan to elevate the disagreement for resolution.

The "Office of Audit Comment" should be used so that an outside reader will get a more complete understanding of TIGTA's position on management's disagreement or alternative corrective action. The following three scenarios provide details on how the "Office of Audit Comment" should be used in the report body and transmittal:

<u>Internal Revenue Service's Management Disagrees With the Recommendation or Finding, and TIGTA Disagrees With the Disagreement</u>

In accordance with our existing policy, the "Office of Audit Comment" in the report body should contain a convincing rebuttal to IRS management's disagreement. The audit teams have discretion on whether to include and not include this information in the Audit Highlights document. Each case can be different. Including this will depend on the significance of the issue. In addition, when the disagreement is significant (*i.e.*, TIGTA plans to elevate the disagreement to the Department of the Treasury), the transmittal should state the IRS Commissioner is to submit a written reply to the Assistant Secretary for Management and Chief Financial Officer of the Department of the Treasury within **30 calendar days** of the final report issuance date. Please note that the elevation/non-elevation language is limited to TIGTA's disagreements with IRS management over findings and recommendations. While report transmittals should specify the outcome measures TIGTA will report in its Semiannual Report to the Congress, the transmittals **should not** mention elevating or not elevating to the Department of the Treasury any disagreements with IRS management over outcome measures.

<u>Internal Revenue Service's Management's Corrective Action Is Different From the Recommendation and TIGTA Agrees With the Alternate Action</u>

In this situation, the "Office of Audit Comment" in the report body should indicate that TIGTA agrees with the alternate action and why we believe the action will address the concerns raised in the report.

<u>Internal Revenue Service's Management Disagrees With the Recommendation and TIGTA Agrees With the Rationale</u>

In this situation, the "Office of Audit Comment" in the report body should indicate that TIGTA agrees with the rationale for IRS management's disagreement and why the IRS's rationale is accepted.

In addition to or in combination with the three scenarios previously described, IRS management may also disagree with some or all of the outcome measures presented in the draft report. When this situation occurs, an "Office of Audit Comment" should be used in the report body following the recommendation involving the outcome measure. The "Office of Audit Comment" section should describe the outcome measure disagreed with by IRS management, management's rationale, and TIGTA's position regarding whether the outcome measure will be sustained or adjusted. In addition, any outcome measure adjustments should be made in Appendix II, Outcome Measures. The OA's comments related to disagreed outcome measures or recommendations should be included in the report body**.**

90.12.14   <u>Other Appendices as Needed</u>. Occasionally, additional information will be presented in audit reports to clearly convey the message of the report. Auditors can present this information in appendices to the report.

Appendices I and II (Detailed Objectives, Scope, and Methodology and Outcome Measures, if applicable) will be the same in all reports. However; the Management Response will be the last appendix in the report.

90.13   Recommendations.
Auditors will include recommendations to correct problems and to improve operations when appropriate. Constructive recommendations encourage improvements in government operations. They are most helpful when they are practical, cost-effective, and directed at addressing the cause of the underlying problem. Each recommendation should be numbered sequentially throughout the report.

90.14   Preparing Reports.
The Director, Audit Manager, and audit team responsible for an audit will meet during the fieldwork phase to discuss the audit findings and the report concept. Based on this meeting, the audit team and Audit Manager will prepare the discussion draft/draft report and forward it to the Director for review. Audit reports will be issued in draft version to enable the OA to receive written feedback on the factual representation of information presented in the audit document. The OA's employees are required to encrypt all SBU reports using secure messaging when transmitting them within TIGTA.

For audits that involve sampling, it is highly recommended that OA's contract statistician be consulted during planning to ensure the sampling methodology will meet the audit objectives and conforms to ***Government Auditing Standards***.

For audits that identify financial outcomes of $1 billion or more[2] using data analyses, the audit team should consult with the ART Data Analytics team to review the associated data methodology. This should be done as early as possible in the audit process. If resources are available, the ART Data Analytics team will reference the data methodology documented by the auditors. See **Section (300)-60.12.1.1** for additional information.

After the audit team the Audit Manager and the Director concur on the discussion draft/draft report, the documents will be referenced. See **Section (300)-90.7** for more information on referencing. The Director will forward the referenced documents to the respective AIGA.

The AIGA will review the discussion draft/draft report. If changes are requested, the report will be returned to the audit team for revision. Substantive changes made to the report must be re-referenced. The revised documents will then be forwarded to the AIGA for another review.

The AIGA will forward approved **draft** reports to the OMP's ***TIGTA Audit Reports*** e-mail address for a quality assurance review. (Note: Discussion draft reports will be issued by the respective AIGA.) However, since the ***TIGTA Audit Reports*** mailbox cannot open encrypted files, SBU reports sent to the OMP for review should be sent directly to the Audit Manager for quality assurance. In addition, an informational e-mail message should be sent to the ***TIGTA Audit Reports*** mailbox stating that the

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[2] Includes the collective total of questioned costs, funds put to better use, increased revenue, and revenue protection outcome measures.

SBU report was sent to the Audit Manager. All hidden text and comments added to the report using the comments menu option, workpaper indexes, referencer comments/end notes, macros, or any other text/formatting that is not considered part of the report, must be removed before the report is submitted for review. Also, review comments added using "tracked changes" must be removed (*i.e.,* accept or reject the changes).

The OMP will serve as the DIGA's quality control point and review each **draft** report for conformance with TIGTA's report format and reporting standards outlined in the GAGAS*,* as well as for clarity. In addition, these reviews will assess whether audit reports follow the rules for grammar, punctuation, and style outlined in TIGTA's Writing and Style Guide. OMP personnel will also review the **initial version of the draft report for potential disclosure issues**. These reviews are not intended to circumvent line-management controls or to validate the accuracy of reported issues. Audit team members, Audit Managers, Directors, and AIGAs are responsible for providing quality products timely.

It is anticipated that these pre-issuance reviews will take 7-10 workdays. While this time frame should be considered when establishing target dates for completion of fieldwork and issuance of the draft report, this process is not intended to delay efforts to discuss audit issues with IRS management. If initial feedback is not provided within the 7-10 workday time period, the respective AIGA should contact the Director, OMP.

Once the pre-issuance review has been completed, the Director, OMP, will forward the draft report, along with substantive comments/requested changes, to the appropriate AIGA. The AIGA will forward these to the Director, who then forwards these to the Audit Manager for report revision. The AIGA should review the comments and ensure that the appropriate revisions are made. After all OMP comments have been addressed, the AIGA should submit the revised report to the DIGA for review and signature. However, if the OMP previously commented on actual or potential outcome measures, the revised draft report will be resubmitted to the ***TIGTA Audit Reports*** e-mail address. The OMP will conduct a second review of the draft report that is limited to outcome measures and return the "report package" to the AIGA for reconsideration. If the DIGA has additional substantive comments/changes, the report will be returned to the AIGA for revision and resubmission. Changes made to the report must be re-referenced.

The approved **draft report** will be signed by the DIGA, who will issue the report to the Commissioner of the appropriate IRS operating division when one or two business units are involved or to the appropriate Deputy Commissioner when three or more business units are involved, so it may be tracked to ensure the response is sent to TIGTA within **30 calendar days**.

A synopsis of management's response to the draft report will be included in the final report. A copy of the full response will be included as an appendix to the report.

Responses to memoranda and draft reports specify:

- The OA recommendations.

- Actions management has taken or plans to take to address the reported conditions.

- Dates of completed management corrective actions and estimated completion dates for planned corrective actions.

- The official responsible for completing the corrective actions.

- Agreement to the expected outcome measures included in the report.

- The official responsible for tracking and evaluating the effectiveness of corrective actions.

All draft reports and final reports will be subject to a pre-issuance review by the AIGA's designated reviewer prior to being provided to the Quality Assurance section of the OMP for review. Final reports that have been reviewed and cleared by the OMP will be forwarded to the DIGA for signature.

The Director will approve and forward referenced final reports to the AIGA. The AIGA will review and approve the final report. If changes are requested, the report will be returned to the audit team for revision. Changes made to the documents must be re-referenced and the revised documents forwarded to the AIGA for another review.

90.14.1 <u>Audit Report Disclosure Review Process</u>. Sections 9.10 (Report Content), 9.61-9.67 (Reporting Confidential or Sensitive Information), and 9.56-9.60 (Report Distribution) of the July 2018 ***Government Auditing Standards*** establish requirements regarding public disclosure of confidential or sensitive information. In general, if certain pertinent information is prohibited from public disclosure due to its confidential or sensitive nature, auditors should disclose this in the report. If this information has been removed, the reason or other circumstances that make the omission/removal necessary must be disclosed.

Audit Report Disclosure Checklist

To comply with these policies, all final audit report "packages" submitted to the OMP for quality assurance review must include a completed **Audit Report Disclosure Checklist,** which can be found in the Templates sections of Microsoft Office Word and TeamMate+. This also applies to final reports designated as SBU. OA staff are encouraged to contact Counsel's office during the course of their audits if they have specific disclosure-related questions. Questions should be sent to the following e-mail address: ***TIGTA Counsel Office**.

The Disclosure Checklist shows the redaction codes and associated disclosure questions/issues for consideration. The Checklist shows all eleven possible redaction codes that the OA uses when posting final reports to the TIGTA public website. These include:

- **Redaction Code 1**, Tax return/return information.

- **Redaction Code 2**, Law enforcement techniques/procedures and guidelines for law enforcement investigations or prosecutions.

- **Redaction Code 3,** Personal privacy information.

- **Redaction Code 4**, Attorney client/attorney work product.

- **Redaction Code 5**, Information concerning a pending law enforcement proceeding.

- **Redaction Code 6**, Information obtained from, or which would identify, a confidential informant.

- **Redaction Code 7**, Information reflecting the bureau's decision-making process.

- **Redaction Code 8**, Law enforcement information related to the physical safety of an individual.

- **Redaction Code 9**, National security information.

- **Redaction Code 10**, Trade secrets or commercial/financial information.

- **Redaction Code 11**, Disclosure of the information is prohibited by statute or Federal regulation.

Following the redaction codes, pages 4-6 of the Checklist include additional "Other Redaction Considerations" questions. These questions address minimum necessary redactions, redaction consistency, identification of hypothetical cases described in reports, IRS management's requests for redaction and OA's responsibilities for discussing these redactions with the IRS, and Sensitive But Unclassified (SBU) reports. SBU reports will go through the disclosure process.

Disclosure Review Process

The following sections describe the procedures and responsibilities for preparing final reports for Counsel's disclosure review, working with Counsel to resolve questions, and finalizing the redacted report that will be posted to TIGTA's public website.

- <u>If the audit team submits a final report that does not have recommended redactions</u>:

  - The AIGA submits the final report package for OMP review. The package consists of the final report and the final report Audit Report Disclosure Checklist.

  - The OMP processes the final report and submits the package to the DIGA for review and signature.

- Following the DIGA's signature, the OMP sends the final report and Audit Report Disclosure Checklist to Counsel for disclosure review. Note: This is the process currently followed for all reports.

- <u>If the audit team submits a final report with recommended redactions</u>:

  - The AIGA submits the final report package for OMP review.

  - The OMP processes the final report and submits the package to the DIGA for review and signature.

  - Following the DIGA's signature, the OMP will provide a copy of the final report to the AIGA, Director, and Audit Manager. The audit team will use the signed final report to highlight their suggested redactions. The AIGA should provide the redacted report, completed Audit Report Disclosure Checklist, and, if applicable, the IRS's request for redactions as soon as possible to the OMP via the ***TIGTA Audit Reports** mailbox to ensure that Counsel's disclosure review can be timely initiated. Counsel has **10 business days** to complete its disclosure review.

  - Because the Office of Communications (OC) may use information in the Highlights page for media purposes, the Highlights page cannot include information that must be redacted for public release. The audit team must write the Highlights page making sure not to include information that cannot be publicly released (*e.g.*, return or return information protected under I.R.C. § 6103 and Privacy Act protected information).

  - The audit team completes the Audit Report Disclosure Checklist to identify potential redactions, based on the information in the audit report and its sources, IRS management's request for redactions, and OMP's suggested redactions provided with the draft report quality assurance review.

    - If the audit team is uncertain whether a particular statement should be redacted, the team should include a description of the uncertainty in the Checklist, rationale for making or not making the redaction, and ask Counsel for their guidance. The audit team should make sure that IRS requests for redactions be in writing, including if applicable, a description of the harm that would occur if the information was released.

    - If the reason given for a redaction is possible circumvention of the law if the information is publicly released, how the information could be used to circumvent the law would occur should be described. If OA plans to reject any IRS request for redaction, the audit team should notify the IRS, explain OA's rationale, and allow the IRS to further explain its position.

    - If OA continues to believe the IRS requested redactions should not be made, then OA should inform the IRS of OA's plan to release the information. For the related Checklist

question, the audit team should include in the comments section a discussion of OA's analysis for agreeing or disagreeing with the IRS redaction request and resolution of any disagreement, if any, following discussions with the IRS.

▪ The audit team should highlight the report where it determines redactions should be made, regardless of who recommended them. The audit team should highlight the pertinent portions of the audit report text or appendices, insert a comment referencing the redaction number from the Checklist to which the text relates, and describe the harm that OA believes would result if the information was disclosed. The recommended redactions should relate to one of the disclosure questions; *i.e.*, the cited reason should not simply state that the OMP recommended or the IRS requested the redaction.

　　○ The highlighted final report should only show the redactions that the audit team is proposing.

　　○ The audit team should provide descriptive reasons for the redactions. For example:

　　　Descriptive: The report wording states that the IRS is not reviewing x, y, and z on the tax return. This could give unscrupulous individuals the specifics they need to file false information for those fields. Note: The first sentence is needed for the specifics, and the second sentence is needed to state how the fraud could be perpetrated.

　　　Not Descriptive: This needs to be redacted because it can let unscrupulous individuals circumvent the tax system.

　　○ For Internal Revenue Code (I.R.C.) § 6103 information,[3] Counsel will contact the audit team if the report appears to contain return information that has not been highlighted for redaction. The audit team can clarify the reasoning by, stating, for example, whether the information raising concern is purely hypothetical,[4] stating the information is taken from the public court record in a tax administration proceeding,[5] *etc.* If the audit team disagrees with Counsel on a § 6103 information redaction, the audit team should elevate the disagreement to the Deputy Inspector General for Audit for final resolution.

　　○ For circumvention issues, the IRS and the OA are the factual experts, not Counsel. Potential for circumvention of agency regulations or statutes is based on judgment in connection with considered analysis of the facts, not law. As such, Counsel expects the

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[3] I.R.C. § 6103(a) mandates that returns and return information shall remain confidential unless disclosure is authorized by one of the exceptions to confidentiality.

[4] Hypothetical examples may be released in audit reports. To constitute a hypothetical example, the information must either be statistical or a fictional set of facts and circumstances not drawn from any specific taxpayer's case or situation. For example, using information taken from an actual taxpayer's case and changing names and other details such as dates, locations, dollar amounts, *etc.*, is not a hypothetical example for purposes of determining whether information is confidential return information.

[5] Even though return information may appear in a court record, this does not necessarily mean that TIGTA may disclose this information in its audit reports. Only return information that has been made public in a **court proceeding pertaining to tax administration** may be disclosed.

audit team to make the determination on whether information in the report could cause circumvention.

o The audit team should only highlight for redaction the minimum information necessary to ensure the nature of the redaction cannot be understood when the report is released. Information that could be highlighted for redaction could be one number, one word, part of a sentence, or an entire paragraph.

▪ If redactions are needed in the IRS management response that is part of the final report, the audit team should use the "Review/New Comment" toolbar option to place a comment box on the page where the redaction is needed. When adding the comment, the audit team should identify the redaction code and then type into the comment box the *exact* wording that requires redaction. This is necessary because the management response is a picture and the wording in the response cannot be highlighted.

▪ The Disclosure Checklist will be signed and dated by the Audit Manager or Director who prepared the Checklist. In addition, the Checklist will identify a point of contact who Counsel should contact if they have any questions during the disclosure review.

▪ The AIGA submits to the OMP the highlighted copy of the signed final report with recommended redactions, the completed Disclosure Checklist, and if applicable, IRS management's request for redactions.

▪ Following receipt of the field's highlighted redacted report and completed Disclosure Checklist (and if applicable, IRS management's request for redactions), the OMP will send to Counsel for review the disclosure package, consisting of the DIGA signed/undated final report that is highlighted with the audit team's recommended redactions, the completed Audit Report Disclosure Checklist and, if applicable, IRS management's request for redactions.

• Counsel's review of signed final report packages submitted by OMP:

▪ Counsel will perform a disclosure review of the DIGA's signed/undated final report using the audit team's completed Audit Report Disclosure Checklist and the audit team's recommended redactions.

▪ If Counsel has questions, Counsel will e-mail the point of contact identified on the Audit Report Disclosure Checklist with a cc: to the respective AIGA and OMP staff, and the OC.

▪ Counsel finalizes its review, based on decisions made with the OA, and annotates the final report with any questions or comments. Counsel e-mails the final report redactions (or clean version of the report if there are no redactions) to the OMP and the OC.

• The OMP prepares the final report for posting:

- The OMP adds the redaction legend on the bottom of the report cover page, blocks out the information being redacted in the report, and adds the redaction number justifying the redaction.

- The OMP will convert the report to Adobe PDF for posting.

Once the final report and disclosure checklist have been reviewed and approved, the AIGA will forward the documents to the OMP for review. After any OMP-suggested changes have been made, the OMP will forward the final report to the DIGA. The IG has **five business days** to review the report and provide comments, after which the DIGA will then sign the final report. If changes are requested by the DIGA and/or IG, the report will be returned to the AIGA for revision. Any changes made to the documents must be re-referenced. The revised report will then be forwarded by the AIGA to the DIGA. The filenames for revised discussion draft, draft, and final reports should follow the naming conventions identified in **Exhibit (300)-130.2**, which also shows when various electronic files should be sent to the ***TIGTA Audit PGP1** e-mail address for inclusion on the IDS.

When one or two operating divisions are involved, the approved **final** report will be signed by the DIGA and addressed to the Commissioner of the appropriate IRS operating division(s). When three or more operating divisions are involved, the signed report will be addressed to the appropriate Deputy Commissioner. The IRS Commissioner and the Commissioner's Chief of Staff will be listed on the Report Distribution List for all final reports, except DCAA reports. The Director, Enterprise Audit Management, will be listed for all final reports, except SBU and DCAA reports.

The DIGA's Staff Assistant will e-mail the final reports to the Director, Enterprise Audit Management, as appropriate, for distribution to National Headquarters officials.

If the OA subsequently determines that the substantive information published in a final report is incorrect, an amended report that clearly highlights the information being corrected will be issued. The corrected information may have an effect on auditors' recommendations, management's action, or both. The amended audit report will be e-mailed to all management officials who received the original audit report.

90.14.2   Audit Report Posting Process. To meet the requirements of the Inspector General Empowerment Act[6] enacted in December 2016, final audit reports must be posted publicly three calendar days after the report is issued to the IRS. The following summarizes the procedures OA and other TIGTA functions involved in processing the report will use to ensure reports meet this deadline.

Draft Reports:

- The AIGA will advise the DIGA when a draft report is sent for signature whether or not a press release is warranted.

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[6] Pub. L. No. 11-317, 130 Stat. 1595.

- The DIGA approves the draft report.

    - In the DIGA's email to his Staff Assistant, he notifies her if a press release is requested.

    - When the Staff Assistant distributes the report internally to TIGTA personnel (only), the email will reflect whether or not a press release is requested.

- The OC will begin preparing the press release when notified that the draft report has been issued.

Final Reports:

- The AIGA sends the final report package (including the Audit Report Disclosure Checklist if no redactions are requested) to the OMP for processing.

    - The OMP reviews the report, works with the audit team on necessary changes, and then sends the final report to the DIGA for review.

- The DIGA reviews and sends the signed/**undated** report to the OMP, the IG, and the OC to advise them that the report is close to being issued.

    - The DIGA's email will serve as notice to the IG that the report is about to be issued.

- If the AIGA has indicated redactions are needed, the OMP sends a copy of signed final report to the AIGA, Director, and Audit Manager responsible for the report to highlight suggested report redactions.

    - The AIGA, Director, or Audit Manager have **one day** to complete the disclosure checklist and annotate the report with redactions and return the report to the OMP.

- The OMP sends the final report (with annotated redactions, if identified by the audit team) and the disclosure checklist to Counsel for a disclosure review with the subject line: "For Counsel Review: [Audit Report name/#]." The OC will be copied on this email.

- The OC sends the draft press release, as approved by the audit team and the DIGA, to Counsel for a disclosure review on the same day that the OMP sends the final report to Counsel.

- TIGTA's Counsel will complete the disclosure review of the final report and the press release within **10 days** and send an email with the report package to the audit team, OMP, and the OC.

- The OC makes changes to the draft press release, if necessary, after the disclosure review.

- The OC Director will send to the IG the final press release (after Counsel's disclosure review) with an IG quote and advise him that the final report will be issued within **three days**.

- The OC's Public Affairs Liaison sends the OMP a copy of the final press release as approved by the IG.

- The OMP sends to the DIGA's Staff Assistant and the DIGA the cleared Word version of the final report (without any redactions) for issuance to the IRS.

  - The Staff Assistant dates and issues the report and emails the final report to the IRS's Enterprise Audit Management.

  - The Staff Assistant also emails the report to internal TIGTA staff.

- OMP staff will determine if a final press release, if requested, has been received from the OC.

  - If a press release has been requested but not yet received by OMP, OMP staff will request that the final press release be sent by the **close of the business day** the report was dated and issued.

- OMP staff will send the final report and highlights document (and press release, if provided) to the Office of Information Technology (OIT) Web Team advising them to post the report, highlights document, and press release (if any) on the specified date (**three calendar days** after issuance to IRS). The OC and internal TIGTA contacts will be copied on this email.

  - If the final press release was requested but not available for OMP staff to send to the OIT with the final report, the OC will subsequently send the final press release to the OIT Web Team for posting.

- The OIT Web Team sends the final report and highlights document (and press release, if available) to the Treasury Web Team for posting on the TIGTA public website on the requested date.

- The OC will send the redacted report and final press release (if any) to Treasury and IRS contacts, alerting them that the report will be posted on the required date.

  - The OC's Congressional Liaison will ensure applicable Congressional committees receive the report on or after report posting date.

90.15 <u>Disclosure of Information</u>.
The Freedom of Information Act (FOIA) requires agencies to make available to the public all agency records that are not specifically exempt from release under the Act. All TIGTA reporting documents and workpapers are subject to FOIA requirements, and portions could be released by the Chief

Counsel in response to a valid FOIA request. For a complete discussion of the FOIA, see **Chapter (700)-60** of the TIGTA Manual.

TIGTA final audit reports will be made available to audiences outside the IRS. As such, reports should be written in a manner that will facilitate public issuance without requiring redaction. In addition, reports should be written to have the widest possible distribution to IRS executives, Congressional committees, and the public. The reports should require no (or minimal) removal of information that is prohibited from general disclosure when released outside of the IRS.

See **Section (300)-90.14.1**, Audit Report Disclosure Review Process, for the procedures required for the *Audit Report Disclosure Checklist* that must be submitted with all final audit reports submitted to the OMP for quality assurance review.

All correspondence should be written with the intent of expediting public distribution. However, distribution of memoranda, discussion draft reports, and draft reports should be limited to IRS officials.

Draft reports should be written with the intent that they could be issued directly to the public once IRS management's response is received and incorporated into the final report. However, TIGTA continues to be responsible for providing IRS management with information in sufficient detail to ensure that they can recognize problems and identify appropriate corrective actions. As such, the OMP will review the **initial version of the draft report for disclosure purposes**. This pre-issuance review will provide the issuing office advice on where potentially restricted material can be minimized by removing or "writing around" it. These reviews will be performed concurrently with the quality assurance pre-issuance report reviews, and any information identified as potentially restricted or classified will be brought to the attention of the issuing office as part of the OMP pre-issuance review feedback process.

Counsel will review all final OA reports prior to TIGTA's release to the public via the TIGTA's internet website.

If classified or restricted information (*e.g.*, information subject to restrictions imposed by the Privacy Act of 1974 or Internal Revenue Code (I.R.C.) § 6103 and/or information that could impair tax administration or an ongoing investigation) is found in a report, it will be redacted before the report is made available to the public. However, inclusion of such information will not affect issuance of the final report to IRS recipients.

If a particular audit report requires the inclusion of a significant amount of information that the issuing office determines must be restricted from public release, that information should be placed in an appendix to the report. In accordance with the GAGAS paragraph 9.61 on reporting, the issuing office will identify the information to be restricted from public release and cite the requirements that make the restriction necessary. Reports with appendices of this nature will probably be few, but they are appropriate when circumstances dictate such restrictions.

If for some reason the use of an appendix with the classified or restricted information would be impractical, the decision to write a report that will not be made public must be approved by the AIGA.

Exhibit (300)-90.2 provides examples of restricted or confidential information that should be avoided in report writing, if possible.

90.16   Citations for Legal Authorities Commonly Used in Reports.
See **Section (700)-140**, Legal Citations, for a list of commonly cited statutes. If you have any questions regarding the proper citation form, please contact TIGTA Counsel.

90.17   Office of Audit Report Numbering System.
The OA Report Numbering System provides control and accountability over audit reports and recommendations issued by OA offices to internal and external users.

Reference numbers are assigned on a fiscal year basis to every final OA report. To ensure the accuracy of the reference numbering system, the Management Support and Services Section, MPW will assign all report numbers. Please direct all requests for final audit report reference numbers to the MPW.

The OA's report reference numbers consist of nine digits with hyphens after the fourth and sixth digits (*e.g.*, 2013-40-001) as follows:

- The first four digits of the report reference number refer to the fiscal year in which the final report is issued. For example, a final report dated December 5, 2012 (Fiscal Year 2013), would have "2013" as the first four digits.

- The fifth and sixth digits identify the OA business unit and any special (alpha) identifier that may be needed for unique reports (*e.g.*, DCAA).

- The seventh, eighth, and ninth digits represent the sequential number of the report. **All** OA final reports will be sequentially numbered.

The OA's report reference numbers are clearly printed on final OA report title pages. They should not be confused with the TeamMate+ Time Tracking audit numbers.

In addition, Inspector General testimony documents will be made available to the public via TIGTA's internet website. As such, these documents will be accounted for in the OA report numbering sequence. In these instances, the fifth and sixth digits normally used to represent the OA business unit will be replaced with "OT."

Inspector General testimony documents will be reflected in the SAR and the TIGTA Monthly Performance Report.

90.18   Preparing Joint Audit Management Enterprise System Corrective Action Forms.
The Joint Audit Management Enterprise System (JAMES) is an internet-accessible system designed to provide informative, timely, and accurate tracking and reporting of audit recommendations. Each OA business unit has a JAMES user with "read-only" system query capability who can provide feedback on the status of individual open or closed audit reports.

The JAMES requires that corrective actions applicable to individual audit recommendations and audit findings be tracked separately using a JAMES Corrective Action Form (CAF). If a report does not include recommendations, a JAMES CAF is not required. For follow-up audits, a JAMES CAF is not required when IRS management takes effective corrective action.

To meet the requirements of the JAMES, OMP staff will use the final report, including management's response, to complete all applicable sections of the JAMES CAF.

The **JAMES CAF** template is located in the Templates sections of Microsoft Office Word. The JAMES CAF template is used for all reports with recommendations. If possible, the information provided must not include any sensitive information and must be as generic as possible. If information in the JAMES CAF contains sensitive data, the JAMES CAF should indicate that it has SBU information. A separate JAMES CAF must be completed for each audit report recommendation. The OMP will send the form to the IRS for input into the JAMES.

Each JAMES CAF should contain:

Is this a Sensitive But Unclassified (SBU) report?   Yes   [ ]   No   [ ]

- *Report Identification Bureau* – (Enter Internal Revenue Service.).

- *Subject Area/Management Challenge – (Choose subject from current Fiscal Year Major Management Challenges which can be found at this link:*
  http://www.treasury.gov/tigta/oa_management.shtml *or other subject areas).*

Other Subject Areas
Acquisition/Procurement
Tax Administration

- *Report Title* – (Title of report should be in bold and in caps.).

- *Report Number* – (The report number in Fiscal Year, Office Number, Sequential Number format, *e.g.*, 201x-XX-XXX.).

- *Report Date* – (Use the date from the report transmittal letter in MM/DD/YYYY format.).

- *TCMIS Number.*

- *Monetary Benefits* – (If potential monetary benefits will not be calculated until a follow-up audit is conducted, leave this field blank. If a report does not contain findings, yet the audit achieved a monetary benefit, such as tax payments received in response to a confirmation program, complete Part 1 of the CAF, except for the responsible official. Enter the category of benefit and dollar amount for each outcome measure that has a monetary benefit. Select the category from: Cost Savings-Questioned Costs, Cost Savings-Unsupported Costs, Cost Savings-Funds Put to Better Use, or Increased Revenue. (Note: Revenue Protection is not reported for JAMES purposes.) These measures are defined in **Section (300)-90.25.1.**

- *Responsible Official* – (The IRS executive or head of office that is charged with consolidating the overall response to the audit report. Use the position title, not proper names, and do not name the Commissioner as the responsible official.).

- *Finding Number and Description* – (Enter the finding title in CAPS, using the heading from the report. Provide a brief synopsis of the finding; however, substitute "TIGTA" and "IRS" for "we" and "they.") If this is a repeat finding wherein the corrective action for the prior finding has not yet been completed, cite this and provide the prior report number and the open finding and corrective action numbers. Providing this data will permit the IRS to "subsume" the currently open data into the new audit finding.

- *Recommendation Number and Description* – (Use the exact wording of the numbered recommendation from the body of the audit report.).

- *Bureau visibility* – (This should be "2" for reports issued to the IRS.).

- *Corrective Action Number and Description* – (Management's corrective action must be inserted verbatim; however, please replace the IRS's use of the word "we" with "the IRS." If the response is too long for the JAMES, the IRS will edit the text. Each recommendation requires its own CAF. If there are multiple corrective actions for a given recommendation, repeat this section for each action. If there is no response received, state this.).

- *Employee Responsible* – (The title of the function identified in management's response that is responsible for implementing the specific corrective action. This should be at the Director level [formerly the Assistant Commissioner/National Director]. If the official responsible for the report identified a function outside of the official's area as being responsible, the original function remains responsible for each corrective action, even if it requires assistance from outside its area, unless it shows the assisting function accepted responsibility for the corrective action. Evidence includes a memorandum to the responsible official or a response to the report from outside the function.).

- *Original Due Date* – (Use the proposed implementation date in MM/DD/YYYY format.).

- *Office of Audit's Comments* – (Provide a brief summary of the OA's disagreement to management's response when applicable.) A checkbox should be checked if the comments

express disagreement with management's response to an audit finding, recommendation, or IRS corrective action, and that these comments should be recorded on the JAMES.

- *Repeat Findings* – If this is a repeat finding for which management has not yet completed all applicable corrective actions, enter the report number, report date, finding number and recommendation number.

When a management response is subsequently received after the final audit report has been issued, the response should be sent to **both** the ***TIGTA Audit Reports** and ***TIGTA Audit PGP1** e-mail addresses. Initially submitted CAFs must be updated to include management's corrective action, the proposed corrective action implementation date, and the responsible management official. It is the responsibility of the OMP to ensure the CAFs appropriately and adequately address management's corrective actions and related implementation efforts.

As part of the semiannual reporting requirements, the Inspector General Act of 1978 requires IGs to provide a description and explanation of the reasons for any significant revised management decision made during the six-month reporting period. As such, the OA will comment on IRS management requests to either modify or cancel a specific corrective action.

To ensure that information on IRS management requests to revise corrective actions is readily available for inclusion in the SAR, the OMP will be responsible for controlling and coordinating such requests. The OMP will forward IRS management requests for cancellation/modification of a corrective action to the appropriate AIGA office for comment. The AIGA offices should return their comments to the OMP, which will draft the DIGA's response. When approved, the adjustment will be submitted to the IRS for updating the JAMES.

90.19   Reports Requiring Sensitive But Unclassified Designations.
The OA will use the SBU designation on audit reports that contain taxpayer data or information that, if made public, could impose harm to the IRS's tax administration efforts.

Due to the enactment of the IG Empowerment Act, all TIGTA audit reports containing recommendations must be posted publicly within three calendar days of issuance to the IRS. As a result, the use of SBU reports will most likely only be used in limited situations. The Audit Director should discuss the use of an SBU report with the responsible AIGA after the issuance of a draft report and before the final report package is sent to the OMP for review. The DIGA's approval of the use of an SBU report should be obtained by the AIGA and noted in the email transmitting the final report package sent to the OMP.

This SBU designation will be used primarily when:

- A report contains a significant amount of taxpayer data or information that, if disclosed, could impair the IRS's tax administration efforts and the redaction of such information would affect the presentation of the issue to such an extent that the reader would not be able to understand the information being reported.

- IRS management requests that the report not be made public because it contains sensitive information that affects tax administration and the respective AIGA agrees with the IRS's assertion. However, the IRS must provide, in writing, a sound business reason for limiting access to the report and the AIGA must make the decision to issue the report as SBU.

For reports designated as SBU, the transmittal for both the draft and final reports should include a separate paragraph explaining why the report needs restricted access. The current privacy paragraph used in report transmittals should be replaced with the following paragraph:

> The Treasury Inspector General for Tax Administration has designated this audit report as Sensitive But Unclassified pursuant to Chapter III, Section 24, of the Treasury Security Manual (TD P 15-71) entitled, "Sensitive But Unclassified Information." Because this document has been designated Sensitive But Unclassified, it may be made available only to those officials who have a need to know the information contained within this report in the performance of their official duties. This report must be safeguarded and protected from unauthorized disclosure; therefore, all requests for disclosure of this report must be referred to the Disclosure Branch within the Treasury Inspector General for Tax Administration Office of Chief Counsel.

In the draft and final report, the report header and footer should contain the words "Sensitive But Unclassified" on every page. This phrase will replace the statement, "This report remains the property of the Treasury Inspector General for Tax Administration (TIGTA) and may not be disseminated beyond the Internal Revenue Service without the permission of the TIGTA" on the title page of draft reports.

The OA will follow security guidelines contained in TIGTA Manual Section (500)-150.5 regarding SBU information transmitted by e-mail. The OA must send SBU documents to the IRS via secured or encrypted e-mail.

If TIGTA receives a request for any audit report designated SBU, the Disclosure Branch within the Office of Chief Counsel will contact the OMP to obtain the OA's review and disclosure recommendations. Requests for copies of SBU reports within TIGTA must be made by the Director of the requesting employee to the Director who issued the report. A business reason must be provided to obtain a SBU report because internal requestors must have a "need to know" the contents of the report. The issuing Director may provide a copy of the report if the need is justified. SBU reports must be encrypted when sent in e-mails.

See **Section (300)-90.14**, Preparing Reports, for requirements for encrypting and transmitting SBU reports within TIGTA. Also see the checklist item on SBU reports in the procedures for preparing the required *Audit Report Disclosure Checklist* contained in **Section (300)-90.14.1**.

90.20   Reports Using the Microsoft Office PowerPoint Template.
The PowerPoint report format should be used when the audit topic and results lend themselves to a less formal presentation of the audit issues and recommendations. These situations include:

- Audits such as those for the filing season or modernization initiatives.

- Audits with a limited scope.

- Repeat audits such as those for periodic reviews of Taxpayer Assistance Centers or statutorily required audits.

- Audits where there is an immediate need to report issues to IRS management.

The PowerPoint report format must be approved by the DIGA. The normal GAGAS and OA reporting standards apply to reports using the PowerPoint format. This format may be used for SBU reports, follow-up reports, and internal peer review reports. The normal audit report template should be used to present audit results that are technical and/or sensitive in nature and considered highly visible.

The PowerPoint template/presentation can be used when briefing IRS management on the audit results and recommendations. When requesting a formal response from IRS management, a draft report package will need to be prepared. To prepare a draft report package, a transmittal should be prepared according to the current draft report standards, a Highlights page should be prepared, and the PowerPoint presentation should be included as the report body.

To prepare the final report package, the transmittal should be written in accordance with current final report standards; management's comments should be incorporated into the PowerPoint presentation and the Highlights page where necessary. A copy of management's response should be scanned into the report as an additional attachment.

The **PowerPoint Audit Report** template is located in the Templates section of Microsoft Office PowerPoint and in the Guidance section on our SharePoint website. Detailed instructions for inserting Microsoft Office PowerPoint presentations into draft and final audit report files are included in **Exhibit (300)-90.3.**

90.21   Positive Reports.
On occasion, audit tests do not identify any problems in the areas reviewed. Depending upon the amount and extent of testing, the OA will usually issue a positive report or, in some instances, a memorandum. Approvals and distribution will be the same as for other memoranda and reports. The positive memorandum or report should include findings containing the condition and criteria.

- A memorandum is issued to advise management of results when testing has been limited (*e.g.*, survey activities), but there is not enough work completed to issue a report.

- A report is issued when completed testing is sufficient for rendering an opinion on the state of the reviewed activities and no problems are identified.

90.22   Roll-Up Reports.
The OA's audit emphasis areas are developed in line with the IRS's strategic objectives and built around defined outcome measures that strike a balance among revenue, costs, deterrence, and taxpayer burden, rights, and privacy. Some emphasis areas may contain a broad focus of audit work that needs to be addressed in a multi-year approach. Other emphasis areas are more time sensitive and will be completed in a fiscal year or shorter period.

Roll-up reports may be prepared from issues reported that supported the emphasis area. The roll-up reports will provide information concerning an audit emphasis area and include our collective assessment of key processes, tax administration outcomes, and standards of control.

The purpose of the roll-up report is not to simply restate all findings and recommendations of the individual audits on the emphasis area. Rather it should interpret the overall assessment of how well a program worked. When rolling the results together and providing an interpretation, the report will present a more global picture of the program rather than what the individual results reported.

90.23   Financial Statement Audit Reports.
For financial statement audits, refer to **Section (300)-40.5.1**.

90.24   Reports on Follow-Up Audits.
During the annual planning process, the respective AIGA will evaluate whether follow-up audits of prior audit recommendations are warranted.

90.25   Identifying and Reporting Outcome Measures.
Audit outcome measures assess the impact or value that audit products and services have on tax administration or business operations. Specifically, the OA must show the degree to which its recommended corrective actions will alleviate reported conditions, which can either improve existing operations or prevent an adverse impact. These measures should be quantifiable to the maximum extent possible, linked directly to the audit finding based on transaction or case analyses or statistical projections, and expressed in monetary or other measurable units such as hours spent in performing an activity or units of production.

If specific transactions cannot be identified during the audit, then the audit report should provide perspective of the findings' significance by describing the value of the entity, operation, or process audited. For example, if an audit identifies a weak control environment, the audit report should identify the number of items at risk, such as dollars or taxpayer accounts, when describing the audit finding.

Potential audit outcome measures should be identified during the risk assessment process described in **Section (300)-50.4**. The outcome measures are further refined during the planning of an audit. The audit plan should include a description of the potential outcome measure(s), including the data

and tests needed to support projections and calculations. When practical, the OA should use its data analysis capabilities to calculate quantifiable audit outcomes. Professional judgment should be exercised when evaluating the potential benefits of the audit outcome against the audit costs to quantify such an outcome. In most instances, the audit planning will identify ways (either through the IRS's systems or *ad hoc* analyses) to cost-effectively derive an audit outcome that is based on sound, relevant, and competent audit evidence.

Ideally, outcome measures contain all transactions meeting the condition described in a reportable finding. However, OA personnel must consider the time and cost needed to identify all relevant transactions when developing audit tests. The following table lists the hierarchy that should be considered when developing reportable outcome measures:

- Identify all transactions in the relevant universe that meet the condition described in the finding. This usually will result from analysis completed through the use of computer extracts.

- Use a statistically valid sample to project/approximate the number of adverse transactions that meet the condition described in the finding. Statistical methods are used when it is not practical or cost effective to identify all actual transactions. However, care must be exercised to ensure that the sampling is properly conducted. Specifically, the sampling plan must identify the proper universe and an appropriate sampling method. Projections can be made only to the population from which the sample was extracted.

- Estimate the outcome measures based on known, reliable data. For example, when determining the additional revenue that may be gained if additional staff is hired to conduct tax examinations, IRS data can be used to approximate the increased tax collections based on dollars assessed per hour and the rate at which taxes are collected after an assessment is made.

- Use a judgmental sample if time or cost constraints preclude the use of the first three methods. However, the reportable outcome measure is limited to the actual number of transactions identified during the testing.

Regardless of the methods used, applicable audit outcomes should be included in the audit report to facilitate understanding with the auditee. The methodology and calculations used to develop the outcomes should be appropriately disclosed in Appendix II.

The audit report should clearly identify whether an OA outcome is expressed as an actual or potential audit impact or value.

- Actual outcomes should be based on historical evidence, such as the dollar results of a recovery program.

- Potential outcomes are based on projection of historical results to future events, provided we are relying on sufficient, competent, and reliable evidence and procedure and have properly identified the population.

Most outcomes will initially fall under the potential category since the corrective action would not have taken place at the time of the final audit report or our audit tests and data were compiled before the corrective action was implemented.

- The IG community currently is not required to convert potential to actual (except for questioned costs disallowed versus not disallowed).

When recommending additional or alternative programs or procedures, the auditor should consider the additional costs of such programs or procedures and reduce any benefits accordingly.

- For example, if the OA recommends a recovery program to notify taxpayers of potential unclaimed credits that they are entitled to, the auditor should reduce the calculated taxpayer entitlements by the cost of the additional notices and staff needed to execute the recovery program. This will serve to ensure that recommendations are cost effective or that the OA has at least recognized the costs and determined that the intangible benefits (such as goodwill) are more important than the costs.

- As with any audit procedure, we should balance the additional time and audit effort needed to determine these alternative program costs with the added value of making this determination. If we are unable to calculate such costs, the auditor should, at a minimum, disclose in the audit report that additional costs may be incurred for alternative programs or procedures.

Some benefits extend beyond the reporting period in which the corrective action is implemented. This often occurs when making systemic recommendations, such as increases to tolerances below which taxpayers no longer have to file or the IRS has to process a form. Currently, the IG community does not have a standard for how many years these recurring benefits can be claimed as an audit outcome. Recurring benefits should be claimed up to the lesser of five years or the life of the benefit.

90.25.1   Definitions and Examples of the Eight Audit Outcomes.

Increased Revenue/Revenue Protection

- Definition: Assessment or collection of additional taxes (increased revenue) or ensuring the accuracy of the total tax, penalties, and interest paid to the Federal Government (revenue protection). This measure should be expressed in both dollars and number of taxpayer accounts affected.

  - Example 1: The IRS could collect more than $436 million in additional revenue over five years if it uses a risk-based approach to selecting high-priority returns rather than trying to work all delinquent returns in a low-yield program (Increased Revenue).

- ▪ Example 2: The IRS erroneously allowed taxpayers to receive the benefit of both the tuition/fees deduction and education which potentially lowered the tax for these individuals by $3 million (Revenue Protection).

Cost Savings

- • Definition: Reductions in the acquisition, deployment, or price for labor, real property, equipment, supplies, or services, expressed in dollars. The Inspector General Act of 1978, as amended, requires further breakdowns of this category to be included in the SAR. Cost savings consist of:

  - ▪ Questioned Costs

    - o Costs that cannot be reimbursed because they represent a violation of law, regulation, or contract. For example, a vendor charged travel above the reimbursement rate allowed by the contract and Federal travel regulations. The outcome measure is derived by computing the difference between the costs charged and the allowable amount.

    - o The expenditure is not reasonable or necessary to accomplish the intended purpose. For example, the IRS reimbursed a contractor $3,000 for hardship travel pay. The Defense Contract Audit Agency found that the contractor's travel policy was unreasonable and the cost expense was disallowed.

    - o Questioned costs have an additional sub-category called unsupported costs, which are shown separately in the SAR. Unsupported costs are costs that are appropriate but for which the vendor cannot provide proof that the cost was incurred. For example, the vendor charges for supplies as stipulated in the contract but does not produce receipts or other evidence to support the transaction.

  - ▪ Funds Put to Better Use. Funds could be used more efficiently or effectively if management took actions to implement recommendations, including:

    - o Reductions in outlays.

    - o Deobligation and reprogramming of funds from programs or operations.

    - o Costs not incurred by implementing improvements to operations.

    - o Ending a program.

    - o Avoidance of unnecessary expenditures identified during pre-award contract reviews.

- o Prevention of erroneous payments in which a refund was generated based on false withholding that was not received by the Federal Government.

- o Prevention of erroneous payments of refundable credits, such as the Earned Income Tax Credit (EITC) and Additional Child Tax Credit.

- o Any other savings that are specifically identified.

- ▪ Example 1: Improper calculation of office space led to more than $193 million of unnecessary rental expenses.

- ▪ Example 2: Refundable credits, such as the EITC, are paid to taxpayers even if there are no income taxes to offset the credit. Congress appropriates refundable credits in the budget.

Taxpayer Rights and Entitlements

- • Definition:

- ▪ Rights concern the protection of due process that is granted to taxpayers by law, regulation, or IRS policies and procedures. These rights most commonly arise in the performance of filing tax returns, paying delinquent taxes, and examining the accuracy of tax liabilities.

- ▪ Entitlements involve the acceptance of claims for and issuance of refunds relating to instances when taxpayers have a legitimate assertion to overpayments of tax, expressed either in dollars or units such as the number of taxpayer accounts.

  - o Example 1: Determining the number of taxpayer accounts where notices of Federal tax liens were filed improperly (the taxpayer had already fully paid the account, the supervisor did not approve the lien filing as required, *etc.*). Improper lien filings can adversely affect a taxpayer's financial profile and specifically violate a taxpayer's rights.

  - o Example 2: During the underreporter program not considering those taxpayers who did not claim all the withholding they were apparently entitled to, thus denying refunds to those taxpayers.

Taxpayer Burden

- • Definition: Decreases by individuals or businesses in the need for, frequency of, or time spent on contacts, record keeping, preparation, or costs to comply with tax laws, regulations, and IRS policies and procedures.

- ▪ Example: As a result of the implementation of a new filing minimum, 1.7 million taxpayers no longer have to file a complex form with their tax return when claiming small amounts of

foreign income tax credit on certain types of income, thus saving 10.2 million hours of burden. [Note: The IRS also saves transcription time, error correction, *etc.*, which could also be calculated and included in cost savings.]

Taxpayer Privacy and Security

- Definition:

    - Privacy concerns the protection of taxpayer financial and account information.

    - Security involves related processes and programs to provide protection of tax administration and account information.

    - Example: Number of taxpayer accounts vulnerable to unauthorized disclosure or access to account information because electronic files were left unprotected or on an unsecured personal computer.

Protection of Resources

- Definition: Safeguarding human and capital assets, used by or in the custody of the organization, from accidental or malicious injury, theft, destruction, loss, misuse, overpayment, or degradation.

    - Example: Value of sensitive investigative equipment vulnerable to loss or theft due to poor controls over procuring, recording, and storing of Criminal Investigation assets.

Inefficient Use of Resources

- Definition: The value of efficiencies gained from recommendations to reduce cost while maintaining or improving the effectiveness of specific programs. These cost savings would not lower the total operational cost of the agency; rather, the resources saved will be available to other IRS programs.

    - Example 1: Management agrees to automate a research function, thus making staff available for other programs. While the IRS would continue to incur the labor costs, the staff would be reassigned to another program.

    - The value of internal control weaknesses that resulted in an unrecoverable expenditure of funds by the IRS with no tangible or useful benefit in return. The measure will place a monetary value on the shortcomings of past management decisions as part of TIGTA's recommendations to correct the systemic weaknesses.

    - Example 2: The IRS spent more than $3 million on a database that was not used by its employees, who relied instead on information available from other sources. While the IRS

would not be able to recover the costs of the database, following the OA's recommendations will help management improve its process for more precisely determining its needs in the future.

Reliability of Information

- <u>Definition</u>: Ensuring the accuracy, validity, relevance, and integrity of data, including the sources of data and the applications and processing thereof, used by the organization to plan, monitor, and report on its financial and operational activities.

  - <u>Example</u>: The value, expressed in units or percentages, of an overstatement in the number of customer service telephone calls answered in a given fiscal year, thus distorting a key performance measure that is reported to the Congress. [Note: If this resulted in procuring unnecessary extra phone lines or equipment, we may also have potential cost savings.]

Note: Protection of resources and reliability of information measures will be expressed as an absolute value (*i.e.*, without regard to whether a number is positive or negative) of overstatements or understatements of amounts recorded on the organization's documents or systems.

Exhibit (300)-90.1
Indexed and Referenced Document Example

The following information is an excerpt from a draft report transmittal.

Attached for your review and comments are two copies of the subject draft audit report. The overall objective of this review was to determine whether statute expiration dates are properly administered by the XYZ District.

Summary

Federal statutes generally limit the period of time in which the Internal Revenue Service (IRS) can assess new taxes (three years), and can collect taxes owed (10 years). To administer these processes, the IRS identifies assessment statute and collection statute expiration dates (ASEDs and CSEDs) to show when assessment and collection efforts must legally cease.[1]

Our tests showed that XYZ District management effectively ensured that the Government's interest was protected in making tax assessments and collecting taxes owed within the statutory time limits. We identified no erroneously expired assessment or collection statutes during the period reviewed.[2]

Examination and Collection field groups followed procedures that ensured imminent statutes were adequately protected.[3] Specifically, managers effectively used the Examination Table 4.1 "List of Returns With Statute Date Pending" and the Collection "Delinquent Account Investigation Listing" (DIAL) to monitor the handling of the listed imminent statute cases.[4] Managerial oversight ensured that cases with an imminent statute expiration were either closed, or an extension of the statutory period of assessment and/or collection was secured from the taxpayer.[5]

We noted several areas in which controls could be strengthened to ensure that:

- Imminent Examination (page 3) and Collection (page 5) ASED cases are more timely and completely resolved to reduce last second case work, and improve customer service.[6]

- Adequate separations of duties exist in the authorizing of Examination employees with Integrated Data Retrieval System (IDRS) update command codes (page 6).[7]

Closed Collection case files shipped to support functions are timely received, and properly handled (page 7).[8]

Exhibit (300)-90.1 (cont'd)
Indexed and Referenced Document Example

5.1 TIGTA – Audit Reporting Document Reference Page
Referencer: _Lname, Fname_   **Lead Auditor:** _Lname, Fname_
Audit Manager: _Lname, Fname_   **Director:** _Lname, Fname_

Date Referencing Started: Month/Day/Year
Date Referencing Ended: Month/Day/Year

[1] C.2.PS. ⊠*Ref Comment: … Please indicate on workpaper cited the support for the IRS's identification of assessment statute and collection statute expiration dates (ASEDs and CSEDs) to show when assessment and collection efforts must legally cease. Mgr/Lead Response: …   See workpapers C-Crit/8 p.1, 2; E-Vol 1 CRIT/2 p.4 for further support.* ✔

[2] A.1.PS., ADMIN/24 ⊠*Ref Comment: Workpaper OV/5 cites workpapers OV/2p.5 and OV/4p.4 for additional support for the statement that I.A. identified no erroneously expired assessment or collection statutes during the period reviewed. The spreadsheets contained in workpapers OV/2p.5 and OV/4p.4 show expired ASEDs and CSEDs.* **Mgr/Lead Response: Statement regarding fact that the indexed analysis detail expired statutes is true. However, report states "erroneously expired." IA notes added to analysis OV/2 p.5 & OV/4 p.4 to clarify that the statutes expired after the TFRP was assessed and after accounts were closed currently not collectible.** ✔

[3] A.1.PS. ✔

[4] B.3.PS. ✔

[5] C.3.PS., B.5.PS. ⊠*Ref Comment: Referencer cannot locate support from the spreadsheets OV/2 p.5 and OV/4 p.4 for the statement that managerial oversight ensured that cases with imminent statutes were closed or an extension was secured from taxpayer.*   **Mgr/Lead Response: IA notes added to workpapers to provide clarification.** ✔

[6] ⊠*Ref Comment: … No cross-references.* **Mgr/Lead Response: … See ADMIN/23 & OV/7** ⊠*Ref Comment: … Workpaper OV/7 does not provide support about ASED cases are to be more timely and completely resolved to reduce last second case work and improve customer service.* **Director Response: … Instructed audit staff to research for appropriate support. Resolution – OV/9 pages 1-3 provide adequate support.**

[7] E-Vol 7, PA1.g. ✔

[8] B.3.PS.; Vol 3 II-A-1/4; Vol 3 II-A-1/5; Vol 3 II-A-1/3 ✔

<u>**Exhibit (300)-90.2**</u>
<u>Examples of Information That Should Not Be Included in Inspector General Reports</u>

- Taxpayer identity information including data such as name, Social Security Number, Employer Identification Number, mailing address, and any other unique identifiers associated with that taxpayer.

- Return information such as liability amounts; tax type and status; the nature, source, or amount of income, receipts, deductions, exemptions, credits, liabilities, net worth, tax liability, tax withheld, deficiencies, overassessments, or tax payments.

- Information about whether a taxpayer's return was, is being, or will be examined or subject to other investigation or processing.

- Statements which could compromise taxpayer privacy (*e.g.*, a large dollar taxpayer in the X District).

- Document Locator Numbers.

- Informant names or other unique identifiers.

- Any items that describe criminal law enforcement techniques which, if disclosed, might hinder law enforcement activities, including the nature and direction of the Government's case, type of evidence relied upon, specific transactions being investigated, and scope and limits of the Government's investigation.

- Recommendations of specific wording to change law or law tolerances.

- Information concerning tolerance levels the IRS uses in applying the tax laws (*e.g.*, an income tax examination will result in a "no change" if the tax due is less than $XX, the RWMS cutoff scores for individual districts, the cutoff dollar threshold for processing certain information returns).

- Sensitive computer command codes and their use (*e.g.*, IDRS command codes that provide employees the capability to update information on the AIMS) and information contained in data processing manuals.

- Standards used for the selection of returns for examination, or data used for determining such standards, including scoring formulas for tax returns.

- Information contained in the Law Enforcement Manual.

Exhibit (300)-90.2 (cont'd)
Examples of Information That Should Not Be Included in Inspector General Reports

- Information related to the IRS's data processing practices and procedures that may allow a taxpayer to alter his or her filing practices or avoid the payment of taxes.

- Tax treaty information with foreign countries.

- Information concerning Federal contractors including trade secrets and confidential business information. A trade secret is a commercially valuable plan, formula, process, or device. Confidential business information is any information that would likely harm the competitive position of the company if the information was publicly released. Examples of confidential business information include a company's marketing plans, profits or costs, computer software, and operating manuals.

- Identification of employee information below the senior official level (generally defined as heads of office). Personal identifiers even of senior officials, such as Social Security Numbers, should be withheld on privacy grounds.

- Grand Jury information.

- Bank Secrecy Act information (for Currency Transaction Reports (CTRs) and Currency and Monetary Instrument Reports (CMIRs). See 31 U.S.C. § 5319 (1998).

- Information that could compromise the physical security of IRS personnel and facilities.

Issuance of Draft Reports

The best method of getting the Microsoft PowerPoint (PPT) presentation into the draft report is to insert it as an "Object" at the end of the Transmittal. If the PPT presentation is inserted as an "Object," it can either be run as a slide show or opened to edit or insert comments (during the pre-issuance report review process). The following steps should be used when inserting the PPT presentation into the audit report:

- Ensure the cursor is positioned before the "Next Page" break at the end of the Transmittal, select "Insert" from the Menu bar, then select "Object."

- Select the "Create from File" tab, and then click on the "Browse" button to find the PPT presentation file. Make sure the "Display as Icon" box is checked.

- Highlight the PPT presentation file in the "Browse" window and select "OK." The PPT icon should appear at the end of the Transmittal.

- Once the PPT icon is inserted, double-click on the icon to run the PPT slide show or right-click on the icon to bring up a menu that allows you to edit the presentation or insert comments. When editing the presentation, it is recommended that you use textboxes or a different color for the text, as PPT does not have a "Track Changes" feature.

- This version of the audit report should be saved and used by each level of management (the Audit Manager, Director, AIGA, and OMP) in the review process. Once changes have been made, this same version should be saved again and submitted to the DIGA for approval and signature.

Once the draft report has been signed by the DIGA, the DIGA's Staff Assistant will ensure that an electronic version is provided to IRS Office of Enterprise Audit Management personnel as well as to the respective OA business unit. The Audit Manager should ensure that the audit team saves this as the final version of the draft report.

Issuance of Final Reports

If/when a response is received, the final report package should be prepared using the following steps:

- Using the signed version of the draft report, change the Transmittal in accordance with the current final report standards.

- Incorporate management's comments into the Highlights page and the PPT presentation, where necessary.

- Insert a copy of management's response into the report as an additional attachment. After the PPT presentation icon, insert a break by selecting "Insert" from the Menu bar, selecting "Break," and choosing "Next Page" from the choices. Ensure the cursor is at the beginning of where the "Next Page" break was inserted and select "Insert" from the Menu bar; then select "File." Select the file (the scanned version of the Management Response from the DIGA's Staff Assistant) and select "OK."

- Once all of the above changes have been made, save this as the final report/presentation to be submitted for review. This version of the audit report should be used by each level of management (the Audit Manager, Director, AIGA, OMP, and DIGA) in the review process.

Once the final report has been signed by the DIGA, the DIGA's Staff Assistant will ensure that an electronic version (as well as the appropriate hard copies) is provided to IRS Office of Enterprise Audit Management personnel. The OMP will place the final report on TIGTA's public website.

When a hard copy of a draft or a final report needs to be printed, open the PPT presentation (right-click on the icon, select "Presentation Object" from the menu, then select "Open" or "Edit") and print out the slides. The slides can then be inserted into the document after the Highlights page. When printing the slides, select Print, then Settings, select "2 Slides" from the drop-down menu in the "Print" menu. Also ensure the "Black and White" box is checked, unless you are printing on a color printer.

CHAPTER 300 – AUDITING

(300)-100   Quality Assurance Program

100.1   Overview.
This section sets forth the Treasury Inspector General for Tax Administration (TIGTA) Office of Audit (OA) policy for the quality assurance program.

The Council of the Inspectors General on Integrity and Efficiency (CIGIE)[1] *__Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General__*__,__ updated in September 2014__,__ contemplates that the audit organization's written policies and procedures, to include control measures to ensure compliance, are a key characteristic of its system of quality control. The Government Auditing Standards (GAGAS), paragraph 5.02 states that an audit organization conducting engagements in accordance with GAGAS must establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements.

GAGAS paragraph 5.03 notes that an audit organization's system of quality control encompasses the audit organization's:

- Leadership.

- Emphasis on performing high-quality work.

- Policies and procedures that are designed to provide reasonable assurance of complying with professional standards and applicable legal and regulatory requirements.

Quality assurance is distinct from quality control. Quality control is an inherent responsibility of line managers to ensure that their own units and personnel are performing work that will meet the auditing standards. A manager's review of an auditor's workpapers is an example of quality control. Quality assurance is an evaluative effort imposed and conducted by sources external to the units/personnel being reviewed to ensure that the overall work of the organization meets standards. The pre-issuance review of draft audit reports is an example of quality assurance. Other examples include internal quality assurance reviews performed by independent TIGTA employees and external peer reviews controlled by the CIGIE.

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[1] The Inspector General Reform Act of 2008, Pub. L. No. 110-409, 112 Stat. 4302 (codified as 5 U.S.C. app.) combined the former President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency into one council called the Council of Inspectors General on Integrity and Efficiency.

100.2   Policy.

The Deputy Inspector General for Audit (DIGA) is responsible for overseeing implementation of an internal quality assurance program that conforms to the standards of the Government Accountability Office and the CIGIE. Specific elements of this program include:

- Internal quality assurance reviews performed for each Assistant Inspector General for Audit's (AIGA) office at least once every three years in accordance with the quality assurance program established in this section.

- Pre-issuance/review of all draft and final reports prior to approval and issuance by the DIGA to the Internal Revenue Service (IRS) Commissioner.

- An external peer review of TIGTA operations at least once every three years in accordance with the requirements of GAGAS and the CIGIE.

Additionally, the Management Planning and Workforce Development staff will analyze and summarizes the results of its monitoring system at least annually. This will include identifying any systemic and repetitive issues needing improvement and recommendations for corrective action.

The TIGTA quality controls for audits and reports are described throughout the TIGTA Operations Manual. **Section (300)-60**, Planning and Conducting Audits, and **Section (300)-90**, Reporting Audit Results, deal with auditing (*e.g.*, workpaper preparation, reviews, and referencing) and reporting policies and procedures.

100.3   Internal Quality Assurance Program Reviews.

The internal quality assurance reviews are designed to provide the DIGA with reasonable assurance that the work performed by the OA is being carried out in accordance with the July 2018 generally accepted ***Government Auditing Standards*** and established OA policies and procedures. At a minimum, the quality control elements that will be included in an internal quality assurance review include staff qualifications, independence, and audit planning and execution. However, the scope of the reviews may be expanded if mutually agreed upon by the review team and the DIGA.

Like quality control, quality assurance is based on the principle that a systematic monitoring and educational process is the most effective way to attain high-quality performance. Thus, each office shall take positive actions in response to significant deficiencies in quality controls or compliance with standards.

100.3.1   Guidelines for Performing Internal Quality Assurance Reviews. The internal quality assurance reviews will be conducted in accordance with CIGIE guidance and will use the auditing procedures consistent with any other audit. The reviews are performed under the direction of the DIGA.

The Director, Office of Management and Policy (OMP), will oversee the internal quality assurance reviews. Individual internal quality assurance reviews will be managed by the Management Support and Services Audit Management (MSS AM) Section within the OMP. Due to anticipated workload in the last few months of each fiscal year, no reviews will generally be scheduled or conducted during the fourth quarter of a fiscal year.

__Staffing Qualifications__: Staff from the AIGA (Management Planning and Workforce Development) office will perform the internal quality assurance reviews. The team will generally consist of three to five members who collectively possess the skills/professional proficiency to perform the review. The team will be led by the MSS AM with a team of two to three GS-13/14 auditors/analysts. The MSS AM will work under the direction of the Director, OMP.

The selected staff will be assigned to the review full time. The MSS AM and the Director, OMP will assist the review teams in ensuring consistency among the various peer reviews and the internal quality assurance review process. The MSS AM and Director will provide guidance related to the review process, and will provide information on how certain situations/findings were addressed on prior reviews. The Director and MSS AM will participate in the opening and closing conferences. The OMP staff members will provide requested reports, documents, and shared network access for use by the review team.

The MSS AM is responsible for organizing and conducting the review, communicating findings, and preparing the reports. Specifically, the MSS AM will:

- Identify the scope and objectives of the review and communicate this to the AIGA and Directors being reviewed. No advance notice will be given regarding the audits selected for review to ensure the integrity of the data.

- Schedule an opening conference with the AIGA of the business unit under review.

- Keep the AIGA and Directors current on the progress of the review.

- Review all peer review working papers before the draft report is issued.

- Hold a closing conference with the AIGA to discuss the issues and recommendations. Local results will be provided to the Directors and Audit Managers at the completion of the workpaper reviews.

- Prepare draft and final reports for issuance to the AIGA by the DIGA.

100.3.2 <u>Planning the Scope of an Internal Quality Assurance Review</u>. The internal quality assurance review should assess the quality controls that the Directors in the business unit had in effect during the 12 months preceding the review. The MSS AM is

responsible for developing specific review steps that, at a minimum, include evaluating the following aspects of the audit program:

- Audit planning.

- Audit execution/documentation of evidence in the workpapers.

- Supervisory review of audit work.

- Preparation of audit reports.

- Audit and personnel management (including staff qualifications, independence, and meeting Continuing Professional Education requirements).

Items to be considered when planning the internal quality assurance review include:

- Evaluating the Directors' responses to the "Questionnaire for Directors - Adherence to Quality Control Policies and Procedures" (**Exhibit (300)-100.1**) and reviewing any written documentation provided by the Directors in the business unit being reviewed. The purpose of this review is to gain an understanding of how the business unit operates and how it ensures compliance with the GAGAS. The responses to these questionnaires may help the review team in developing specific review steps and determining if any on-site testing is needed.

- Review of prior internal quality assurance review reports and workpapers. The purpose of this review is to identify areas requiring follow-up. Prior workpapers may be helpful in developing some of the review objectives as well as providing information on particular areas of concentration for the current review effort.

Other documentation or information should be considered. The review team should consider reviewing records for the Directors in the business unit being reviewed. This should include TeamMate+ TeamInsights Reports information on the status of the audits under the Directors' control and the results of issues or trends identified based on the pre-issuance report review process performed by the OMP. In addition, the review team should request information regarding the business unit's staff including the grades, professional designations/certifications, and a continuing education summary for the two most recent years.

Selecting Individual Audits: The DIGA will approve the selected individual projects to be reviewed. At least two audits per Director in the business unit under review will be selected. The selection of individual audits for review is based on several factors, including the number, type, and significance of reports issued by the business unit; prior internal quality assurance review results; and concerns of TIGTA or the DIGA. Because of all the factors involved in choosing the numbers and types of audits to review, these

procedures do not mandate any minimums. The audits selected should be sufficient to provide the review team with a reasonable basis for its opinions regarding whether the Directors in the business unit under review have established adequate management controls and have followed applicable auditing standards.

The audits selected should be representative of the major types of work performed. Audit reports issued within 12 months of the review that are considered significant should be selected over more routine audits. Major emphasis should be given to reports highlighted in the two most recent Semiannual Reports to the Congress, reports having large dollar savings or efficiencies, reports having a material impact on operations, and other reports TIGTA or the DIGA considers significant.

The MSS AM will inform the AIGA and Directors in advance of the planned level of coverage and the time required for the review. No advance notice will be given regarding the audits selected for review to ensure the integrity of the data. The Directors should ensure that key office staff is available during the review.

100.3.3   Internal Quality Assurance Review Fieldwork. The MSS AM is responsible for managing the efforts of the review team to collect and analyze data, briefing appropriate managers, and preparing written reports.

The review team will complete a quality control checklist based on the CIGIE's ***Checklist for Review of Performance Audits Performed by the Office of Inspector General***, when assessing the controls applied to sampled audits. This checklist provides a guide to items that should be tested to determine whether the business unit's staff is performing audits in accordance with the GAGAS. The results of this checklist, the Directors' responses to the questionnaire identified in **Exhibit (300)-100.1**, and the additional steps developed by the review team leader should provide the team with sufficient information to conclude whether the business unit has adopted and is following appropriate quality control procedures.

If the review team assesses an element of quality control as satisfactory or not applicable, the basis for such an assessment should be fully explained. Such an assessment would result in planning minimal audit work to test the application of the controls for that element. If the team assesses a quality control element as unsatisfactory, more substantive testing should be conducted to fully develop the finding to be included in the report (specifically the underlying cause of the issue).

If an impairment is encountered (*e.g*., key staff members are not available or data are not available), the team should try to resolve the problem. However, if the problem cannot be resolved, the impairment should be included in the report.

Audit Documentation: The results and conclusions of the internal quality assurance review will be documented in TeamMate+ and should specifically identify the source and extent of positive and negative conditions reported.

The MSS AM is responsible for all workpaper reviews before the draft report is issued. The general OA workpaper review requirements also apply to internal quality assurance reviews. The workpapers and any other information concerning the business unit or its staff obtained through the review are not for general distribution. Such information should not be disclosed to anyone not administering the internal review program or carrying out external reviews of TIGTA.

The MSS AM is also responsible for ensuring that all workpapers and related documents are maintained in TeamMate+ with access limited to the team and OMP staff. Once the peer review final report has been issued, the OMP will maintain the files for potential use by external peer review teams.

100.3.4   <u>Reporting Internal Quality Assurance Results</u>. The MSS AM, along with the Director, OMP, will conduct a closing conference with the AIGA to discuss the findings and results of the review. After this conference, the team leader, with the assistance of the other team members, will prepare a draft report on the overall results of the review. The MSS AM will provide local results to the Directors and Audit Managers at the completion of workpaper reviews.

An internal quality assurance review report should contain:

- Scope of the review, including any limitations thereon, and any expansion beyond the basic review.

- A description of the objectives including a statement that the review was performed in accordance with the GAGAS.

- Noteworthy accomplishments found during the review. Examples of such items would be particularly creative and effective audit approaches or procedures or particularly efficient and effective quality control procedures.

- The review team's findings and recommendations.

- AIGA's response (final reports).

The presentation of a finding should be both complete and fair. Exaggeration of the significance or the extent of deficiencies should be avoided. If deficiencies were found in only one of several audits reviewed, the report should clearly indicate that the deficiencies were not office-wide. The tone of the report should be positive and constructive. The

report should stress the opportunity for improvement in the future rather than criticism of the past. Recommendations should be made where specific improvements are needed.

Report Issuance: The AIGA, MPWD, will issue the draft report to the respective AIGA who will have an opportunity to comment on the findings and recommendations before the report is finalized. Disagreements on issues and recommendations that cannot be resolved between the review team and the AIGA will be elevated to the DIGA for resolution.

The AIGA is responsible for preparing a written response to the draft report within 14 calendar days. The response will include the actions planned for any recommendations made in the report as well as a timeline for corrective actions. The AIGA, MPWD, will evaluate the AIGA's response to determine whether it is comprehensive, feasible, and sufficient to correct the deficiencies identified in the report.

The review team leader is responsible for incorporating the response received from the AIGA into the final report.

Follow-up Responsibilities: The Director, OMP, will maintain a system to track implementation and the status of the recommendations of the internal quality assurance review. The respective AIGA is responsible for advising the DIGA and the Director, OMP, of the status of the corrective actions.

100.4   External Quality Control Reviews.
The objective of the CIGIE external quality control review program is to foster quality audits by Inspector General offices through an independent assessment of the effectiveness of the internal quality control system in providing reasonable assurance that applicable audit standards and requirements are being followed.

The DIGA is responsible for arranging for an external quality control review of TIGTA operations in accordance with the requirements of GAGAS and the CIGIE. The external quality control reviews will enable an independent organization to provide an opinion to TIGTA about whether the: (1) quality control system is in place and operating effectively, and (2) policies and applicable audit standards are being followed.

The DIGA must also provide an audit staff to perform quality control reviews (peer reviews) of other audit organizations. The review team will be comprised of a GS-15 and three-to-five GS-13s and/or 14s.

The ***Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General***, updated in March 2020, provides policy guidance to the CIGIE members on the implementation of the general standard on Quality Control and Assurance. The CIGIE Audit Committee administers the external peer review program under July 2018 ***Government Auditing Standards*** for OIGs.

The CIGIE checklists serve as guides for conducting external reviews of audit organizations. The checklists assist the external review team with assessing the adequacy of the design of the quality assurance program and provide information on overall compliance with policies, procedures, and standards. The checklists are available electronically on the IGnet web site under CIGIE/Audit Committee/Audit/Manuals & Guides at ***https://www.ignet.gov/content/manuals-guides***.

The Director, OMP, will ensure that the final external peer review report is posted publicly in a timely manner.

100.5   Quality Assurance Pre-Issuance Reviews of Treasury Inspector General for Tax Administration Audit Reports.
The DIGA will review all draft and final audit reports prior to signing and issuing them to the IRS Commissioner. In general, all audit reports will be issued in draft version to enable the TIGTA's OA to receive written feedback on the factual representation of information presented in the audit document.

Each AIGA is responsible for reviewing and approving draft and final audit reports and the respective Outcome Measure Summary (OMS) documents for his or her respective business unit. Once the AIGA determines that a draft report is ready for the DIGA's review, the report, along with the OMS document will be forwarded to the OMP ***TIGTA Audit Reports*** e-mail address. The OMS document is needed to facilitate the quality assurance review process and the process used for developing the Semiannual Report to the Congress.

The OMP will serve as the DIGA's quality assurance point by reviewing draft reports for quality assurance issues.

Quality Assurance reviews of reports are intended to ensure:

- General compliance with the GAGAS for reporting requirements.

- Conformance with the TIGTA report format.

- Clarity of the information to an outside reader.

- Conformance with rules for grammar, punctuation, and style as outlined in the *TIGTA Writing and Style Guide* (a link to this Guide may be found on the Office of Audit Community SharePoint site.

The results of these pre-issuance reviews will be used to revise and refine the TIGTA reporting process on an ongoing basis. These reviews are not intended to circumvent line-management controls or to validate the accuracy of reported issues. Auditors, team

leaders, Audit Managers, Directors, and AIGAs are responsible for providing quality products timely.

It is anticipated that the pre-issuance process will take 7-10 workdays. While this time period should be considered when establishing target dates for completion of audit fieldwork and issuance of the draft report, this process is not intended to delay efforts to discuss audit issues with IRS management. If initial feedback is not provided within the 7-10 workday time period, the respective AIGA should contact the Director, OMP.

To ensure consistency in the review process, the OMP's quality assurance staff will use a standardized checklist for their pre-issuance reviews. This checklist was derived from the CIGIE quality assurance process and the GAGAS. The quality review **Draft Report Checklist** template is located in the Templates section of Microsoft Office Word and in the Report Guidance folder on OA's SharePoint web site.

Once the pre-issuance review has been completed, the OMP will forward the report, and any substantive comments/requested changes, to the appropriate AIGA. The AIGA should review the comments and ensure that the appropriate revisions are made. After all comments by the OMP have been addressed, the AIGA should submit the report to the DIGA for signature. However, if the OMP previously commented on outcome measures/potential outcome measures, the draft report and OMS will be resubmitted to the ***TIGTA Audit Reports*** e-mail address. The OMP will conduct a second review of the draft report that is limited to outcome measures and return the "report package" to the AIGA for reconsideration, if necessary, and submission to the DIGA. The reports should be named following the standard TIGTA filename conventions and include the date submitted (see **Exhibit (300)-130.2**).

Reports requiring any substantive/additional changes as a result of the DIGA's review will be returned to the respective AIGA for revision and resubmission to the DIGA. When substantive changes are made, the respective AIGA is responsible for ensuring that the audit report is re-referenced.

All final reports will be subject to pre-issuance review by the respective AIGA's designated reviewer prior to be being provided to the Quality Assurance section of the OMP for review. Final reports reviewed and cleared by the OMP will be forwarded to the DIGA for signature. The scope of these reviews will also be guided by a standardized checklist. The quality review **Final Report Checklist** template is located in the Templates section of Microsoft Office Word and in the Report Guidance folder on OA's SharePoint web site. In addition, the reviewers will ensure that the OMS document is updated to reflect IRS management's response/position on the outcomes.

<u>**Exhibit (300)-100.1**</u>
<u>Questionnaire for Directors -</u>
<u>Adherence to Quality Control Policies and Procedures</u>

<u>PURPOSE AND INSTRUCTIONS</u>

This questionnaire is designed to obtain general information about internal quality control systems in a Director's office during a peer review of a business unit. This questionnaire is based on Appendix B, Checklist for Review of Adherence to General Standards, used for the Council of the Inspectors General on Integrity and Efficiency's external quality assurance reviews and tailored to fit the Treasury Inspector General for Tax Administration (TIGTA) organization. It contains separate sections with specific questions concerning policies and procedures designed to assure compliance with generally accepted *Government Auditing Standards* (GAGAS).

In responding to these questions, each Director in the business unit being reviewed should briefly describe the procedures or processes relevant to the area and also provide a reference to written documentation, including any relevant checklists or forms that are used. If there are procedures or similar documents, copies of this information should be provided to the review team, if possible.

The responses to this checklist will assist the review team in identifying the business unit's quality control procedures and will assist the review team in developing review steps to be completed during the on-site visitation.

Exhibit (300)-100.1 (cont'd)
Questionnaire for Directors -
Adherence to Quality Control Policies and Procedures

Business Unit: _____

Assistant Inspector General for Audit: _____

Director: _____

Date
Prepared: _____

Overall:

1. Has your business unit or directorate developed any local policies and procedures to supplement OA policies and procedures? If so, please briefly describe them and provide copies.

Response and references:

Independence

1. How do you or your managers identify threats to independence? (GAGAS paragraphs 3.18-3.20; 3.27-3.34)

2. If threats were identified, how did you handle these situations? (GAGAS paragraphs 3.27-3.34)

Response and references:

Exhibit (300)-100.1 (cont'd)
Questionnaire for Directors -
Adherence to Quality Control Policies and Procedures

Competence

1. How do you ensure audit teams collectively possess the skills needed for individual audit assignments? (GAGAS paragraphs 4.02-4.03)

2. Has your office used specialists/consultants to assist in performing specific tasks? If so, how did your staff evaluate their qualifications? (GAGAS paragraph 4.12)

3. How do you ensure that auditors meet the continuing education and training requirements in accordance with the GAGAS and obtain specialized training and/or developmental assignments? (GAGAS paragraphs 4.16-4.18)

Response and References:

Professional Judgment

1. What are your procedures for determining that one or more standards are not applicable to an audit? (GAGAS paragraphs 3.109-3.117; 8.136)

2. Who makes this decision, is the decision reviewed, and is there any guidance provided to the staff to assist them in making the appropriate decision?

Response and references:

Exhibit (300)-100.1 (cont'd)
Questionnaire for Directors -
Adherence to Quality Control Policies and Procedures

Quality Control and Assurance

1. Do you perform reviews of your office and, if so, how are these reviews performed (who performs the review, scope, frequency, *etc*.)? (GAGAS paragraphs 5.02; 5.42)

2. Are the results of these reviews documented and shared with the audit staff? If so, please provide copies of these documents.

Response and references:

Audit Planning

1. How do you ensure that reviews are properly planned and all appropriate information is considered during the planning process? (GAGAS paragraphs 8.03-8.07; 8.36; 8.39-8.40)

2. How are potential fraud risks and related team discussions of these risks documented? (GAGAS paragraphs 8.71-8.72)

3. How do you ensure that the auditors properly coordinate with external sources (other OA business units, GAO, etc.) to determine whether similar audits are being conducted or planned in other areas? (GAGAS paragraph 8.80)

4. What is your office's policy for revising the original scope and/or objective of a review (*e.g.*, what considerations are made, who is involved in the decision, and how is it documented)?

5. How do you assess potential sources of data and the validity and reliability of such data? (GAGAS paragraphs 8.77-8.78)

Response and references:

Exhibit (300)-100.1 (cont'd)
Questionnaire for Directors -
Adherence to Quality Control Policies and Procedures

Supervision

1. How do you ensure that auditors and others (*e.g.,* consultants, computer specialists) receive appropriate guidance and effective supervision during the audit? (GAGAS paragraphs 8.87-8.89)

2. How do you perform reviews of the work performed by the audit team? What is the purpose/scope of the reviews?

Response and references:

Evidence and Documentation

1. How do you ensure that audit findings and conclusions are supported by sufficient, competent, and relevant evidence? (GAGAS paragraphs 8.90-8.94)

2. What steps does the staff take to evaluate the objectivity, credibility, and reliability of testimonial evidence? (GAGAS paragraphs 8.94, 8.105)

3. How does your office ensure the validity of computer-processed data? (GAGAS paragraph 8.98)

4. How does your office ensure that the assessment of the reliability and validity of computer-processed data and the source of the data are documented in the workpapers and the report? See ***Assessing the Reliability of Computer-Processed Data*** (GAO-09-680G).

5. How do you and your managers ensure that proper sampling techniques are used during an audit?

Response and references:

Exhibit (300)-100.1 (cont'd)
Questionnaire for Directors -
Adherence to Quality Control Policies and Procedures

Internal Controls

1. The July 2018 GAGAS revision updated the performance audit standards with specific considerations for when internal control is significant to the audit objectives. This is effective for audits beginning on or after July 1, 2019. How will you ensure that the audit staff identifies and documents internal control during the planning phase of a review? (GAGAS paragraphs 8.39-8.67; Figure 4)

2. If determined to be significant to the audit objectives, how will the team assess and document its understanding of internal control, including its design, implementation, and/or operating effectiveness? (GAGAS paragraphs 8.49-8.53)

Response and references:

Legal and Regulatory Requirements

1. How do you assure that the audit staff is alert to situations or transactions that are indicative of illegal acts or abuse? How do you ensure that audit steps are properly designed to test for these types of situations? (GAGAS paragraphs 8.71-8.76; 8.119-8.123)

2. How do you ensure your staff consults with legal counsel when questions arise about the application or interpretation of laws and regulations? (GAGAS paragraph 9.39)

Response and references:

Reporting Standards

1. If issues are identified during a review, but are not significant enough to warrant reporting, are these issues communicated to management and, if so, how (*e.g.,* memoranda, discussions, *etc.*)? (GAGAS paragraphs 9.31, 9.36, 9.41)

Response and references:

Exhibit (300)-100.1 (cont'd)
Questionnaire for Directors -
Adherence to Quality Control Policies and Procedures

Administrative Issues

1. How do you effectively and timely communicate with your staff, and how often?

2. How do you ensure effective communication with IRS management and audit liaisons?

3. Have you developed any new initiatives to improve/ensure quality? If so, please explain.

Response and references:

CHAPTER 300 – AUDITING

(300)-110   External Reporting of Audit Activities

110.1   Office of Audit's Input for the Inspector General Semiannual Report to Congress.
In accordance with the Inspector General Act of 1978, the Treasury Inspector General
for Tax Administration (TIGTA) must prepare a Semiannual Report to Congress (SAR)
no later than April 30 and October 31 of each year summarizing the activities of the
Office during the immediately preceding six-month periods ending March 31 and
September 30. The Office of Audit's (OA) Office of Management and Policy is
responsible for coordinating and compiling audit program information to be used in the
SARs.

110.2   Office of Audit's Input for Congressional Testimony and Requests for
Information from Congress.
The Deputy Inspector General for Audit (DIGA) will control all draft testimony and
requests for information relating to the OA and will assign responsibility for preparing
the draft testimony to the appropriate office. The DIGA will ensure the draft testimony is
provided to TIGTA's Office of Chief Counsel prior to the testimony or due date to ensure
compliance with disclosure and Internal Revenue Code § 6103 provisions.

CHAPTER 300 – AUDITING

(300)-120   Audit Management Software

120.1   Overview.
The TeamMate+ software program is an audit management system designed to help auditors and Office of Audit (OA) management manage all aspects of the audit process. The objective of the TeamMate+ software program is to provide OA management with information essential to the effective management and oversight of audit programs and activities, and to provide a solid and reliable foundation for a vital knowledge management component and repository.

The TeamMate+ software program replaced the former TeamCentral Management Information System (TCMIS) with a web browser accessible suite of TeamMate applications. The TeamMate+ software program utilizes various Areas (*i.e.*, My Dashboard, Project, TeamStore, Time Tracking, and TeamInsights Reports) to maintain project profiles and exception data.

The TeamMate+ software program is a fundamental component of the overall OA knowledge management system that provides a comprehensive and in-depth level of data, tracking all phases of auditing business processes and methodologies, from planning to execution to final reporting. The TeamMate+ software program also contains an extensive historical archive (five years) of exceptions (*i.e.*, audit findings) data in its repository.

Information available through the TeamMate+ software program includes, but is not limited to:

- Information Reporting.

  - Customizable reports in TeamInsights Reports.

  - Weekly TeamMate+ Time Tracking.

- Audit project exceptions and recommendations.

- Audit project staff days and calendar days.

- Audit project contract and pending milestone dates.

- Audit project status and profile data.

- Audit project content and background.

- Audit project exceptions, both in development and reportable.

- A snapshot of current audit program progress.

- A snapshot of prior fiscal year OA program(s).

- Time expended on audits and projects.

- Time expended on training and Continuing Professional Education (CPE) credits.

The TeamMate+ software program provides management with timely and meaningful project information, easy accessibility, and reduced administrative overhead. The administrative processes are greatly reduced for both front-line managers and staff by leveraging the integrated features of the TeamMate+ Areas. The TeamMate+ software program is also a resource for data mining, planning, and risk management.

To manage and fully utilize the TeamMate+ software program, business processes are standardized and integrated across all OA business units. Organization-wide procedural controls and related policies have also been established for all business units.

120.2   <u>TeamMate+ Roles and Responsibilities</u>.

- TeamMate+ Project Manager will:

  - Be contacted regarding business processes integration, policies, best practices, suggested software enhancements, technical support, and overall project management questions.

  - Close TeamMate+ files within 60 days following the report public release date. If the report is classified as sensitive or if the report will not be publicly released for other reasons, the associated TeamMate+ file will be closed within 60 days following the date the report was issued to the Internal Revenue Service (IRS). Any technical challenges or exceptions to the project closing standard should be documented.

- TeamMate+ Administrator will:

  - Respond to questions regarding TeamMate+ Time Tracking and initiate audit projects.

  - Oversee management reporting requirements and data accuracy.

- TeamMate+ Management Administrators (Staff Advisors) will:

- ▪ Provide support for audit management workflow and business unit specific processes related to the TeamMate+ software program.

- ▪ Serve as the focal point for ensuring the accuracy of reporting in the TeamMate+ software program, and monitor compliance with business unit policies and workflow guidance.

- TeamMate+ Business Unit Coordinators will:

  - ▪ Assist employees with routine questions regarding software features and assist with the coordination of upgrades and access to project archives.

  - ▪ Be the primary points of contact.

- The Audit Managers (or designees) will:

  - ▪ Begin projects by sending a Project Initiation request to the TeamMate+ Administrator via the **OA Project Initiation Request Form**.

  - ▪ Import and assign audit teams to the project and update the project profile and exception data on a biweekly basis or more frequently as necessary.

  - ▪ Ensure that team members timely and accurately input project, training, and administrative time into the TeamMate+ Time Tracking file.

- The OA staff will:

  - ▪ Charge time to projects as soon as the project profile has been established on the TeamMate+ Project Area.

  - ▪ Keep project time updated on a monthly basis with managerial review.

The audit/project numbering schema consists of a nine-digit audit number with the first four digits representing the fiscal year in which the audit/project was initiated. The next two digits identify the business unit responsible for the audit/project or any other type of audit identifier that may be needed by the business unit. The final three digits represent the sequential number of the audit/project within each business unit. An example of a TeamMate+ Time Tracking number is 202120001, which represents the first audit assigned (001) in the Security and Information Technology Services (20) in Fiscal Year 2021. Additionally:

- Affordable Care Act audits will be tracked with the numbering schema, 202xx**3**xxx.

- Tax Cuts and Jobs Act audits will be tracked with the numbering schema, 202xx**4**xxx.

- Taxpayer First Act audits will be tracked with the numbering schema, 202xx**5**xxx.

- Coronavirus Aid, Relief, and Economic Security Act and COVID-19 related audits will be tracked with the numbering schema, 202xx**6**xxx.

- American Rescue Plan Act of 2021 audits will be tracked with the numbering schema, 202xx**7**xxx.

The business unit designations for TeamMate+ Time Tracking numbers are:

- Management Services and Exempt Organizations – 10.

- Security and Information Technology Services – 20.

- Compliance and Enforcement Operations – 30.

- Returns Processing and Account Services – 40.

TeamMate+ program software data are a critical source of the OA's input for the Inspector General's monthly Performance Report and the Semiannual Report to Congress. Project updates and employee time are required biweekly or as directed by the Office of Management and Policy (OMP). Employees will be required to estimate their time when earlier due dates are required.

120.3   Procedures for Maintaining the TeamMate+ Audit Plan Inventory.
The starting point for the annual inventory will be the OA Annual Audit Plan. When the audit team is ready to initiate the audit, an audit initiation plan document is submitted to the TeamMate Schedule mailbox. New audits that were not included in the initial fiscal year plan will be added to TeamMate+ Audit Plan by the TeamMate+ Administrator.

The following steps will be followed to develop and maintain the TeamMate+ Audit Plan audit/project inventory:

- All Directors will submit the Annual Audit Plan information to the Office of Management and Policy. Once the Annual Audit Plan is approved, the plan information will be forward to the TeamMate+ Administrator.

- Projects will be created in the TeamMate+ Audit Plan Area by the TeamMate+ Administrator upon receipt of the project initiation document. The TeamMate+ Administrator updates/modifies profile labels in the TeamMate+ Audit Plan Area at the time of initiation.

120.3.1   <u>Project Initiation Requests</u>. Scheduling of projects will occur immediately after Project Initiation Requests are submitted to the TeamMate+ Administrator. Requests to start audits will be submitted by the Audit Manager (or designee) via e-mail only to the TeamMate Schedule mailbox and will be maintained. A copy will also be provided to his or her respective TeamMate+ Management Administrator.

The TeamMate+ Administrator will update audit profiles and resources (team members) as necessary. The TeamMate+ Administrator will also schedule audit(s) and designate the Audit Manager and Lead Auditor. The Audit Manager and Lead Auditor will receive a system-generated e-mail notification when the audit has been created and is ready to be accessed.

120.3.2   <u>Establishing the TeamMate Project File on the TeamMate+ Software Program</u>. The initiation of audits will be performed by downloading the project directly from the TeamMate+ Audit Plan Area planning database into the TeamMate+ Project Area. The Audit Manager will:

- Assign all team members to the audit and update required roles.

- Verify Project Profile field validity (*e.g.*, Audit Manager, Director, Business Unit, *etc.*)

The audit will then be available on TeamMate+ Time Tracking. The TeamMate+ Management Administrator (Staff Advisor) will update the project with the actual planning start date fields.

120.3.3   <u>Project Milestones and Project Updates</u>. The Audit Manager or the Director will submit a copy of the audit plan to the TeamMate+ Management Administrator (Staff Advisor) with the following data: contract staff days, contract calendar days, contract draft report date, and the audit plan signature date. The TeamMate+ Management Administrator will update the project schedule tab with these fields.

- The TeamMate+ Management Administrator will update the project profile when contract fields are changed and approved. The Audit Manager will forward all approved changes to contract fields (calendar days, staff days, and estimated draft report date) to his or her TeamMate+ Management Administrator via e-mail. Special forms will not be necessary.

- The Audit Manager (or designee) will update the estimated draft report and the estimated final report fields when the estimated draft report varies from the approved contract date.

The Audit Manager (or designee) will inform the TeamMate+ Management Administrator via e-mail of the message conference date. The Administrator will update the schedule profile with the actual fieldwork end/report start date.

The Audit Manager (or designee) will:

- Send to the TeamMate+ Management Administrator via e-mail the draft report package when the draft report is issued. The Administrator will update the schedule tab with the actual draft report date.

- Inform the TeamMate+ Management Administrator via e-mail of the management response date. The Administrator will update the schedule tab with this date.

- Send the TeamMate+ Management Administrator an e-mail containing the final report package and indicate the final report date. The Administrator will update the schedule tab with this actual date, and the profile tab with the report title, and report reference number.

120.3.4 <u>Audit Closing</u>. The Audit Manager, Lead Auditor, or designee will:

- Approve final work papers, coaching notes, *etc.*

- Update all reported and potentially reportable exceptions.

- Email the TM+ Project Manager letting them know the project is ready to be closed within 60 days of the report issuance date.

The TeamMate+ Project Manager will:

- Close the TeamMate+ files within 60 days following the report public release date. If the report is classified as sensitive or if the report will not be publicly released for other reasons, the associated TeamMate+ file will be closed within 60 days following the date the report was signed and issued to the IRS.

- Document any technical challenges or exceptions to the closing standard.

- Inform the TeamMate+ Management Administrator via e-mail that the audit has been closed and will no longer be updated.

Note that business units may, at their discretion, designate other members of the audit team to perform the duties identified in Sections 120.3.2, 120.3.3, and 120.3.4, as well as require these actions be updated more frequently to meet their internal business needs. If so, the revised duties and timeframes will be documented within the respective business unit.

120.4   <u>TeamMate+ Time Tracking Code Definitions</u>.
TeamMate+ Time Tracking uses a variety of codes to track the use of audit resources and convey detailed information about each audit or project. Many of these codes may change annually based on our audit emphasis.

120.4.1   <u>Codes Used for Special Audit Projects</u>. Although most of the TeamMate+ Time Tracking codes are self-explanatory, the following are the codes that require more definition to ensure that each office uses these codes consistently:

- *Audit Manager Administrative Duties* – This code should be used only by Audit Managers.

- *Executive Supervision (Director Level)* – This code should be used only by Directors.

- *Congressional Testimony* (202xN11.Txx) – For reporting staff time devoted to testimonies, the audit numbering scheme will be 202xN11.Txx. The first four digits reflect the fiscal year, the next three digits signify the project as a congressional activity, the "T" identifies the activity as the congressional testimony, and the final two digits reflect the sequential numbering of each fiscal year's testimony. Requests for the next sequential testimony-related TeamMate+ Time Tracking number should be forwarded to the TeamMate+ Administrator. Examples of the testimony numbering include:

  - **202xN11.T01** – Inspector General Testimony: Before the House Appropriations Committee, Subcommittee on Treasury, Postal Service, and General Government.

  - **202xN11.T02** – Inspector General Testimony: Before the Subcommittee on Oversight, Committee on Ways and Means, U.S. House of Representatives.

  - **202xN11.T03** – Inspector General Testimony: Joint Hearing before Committees of the U.S. Senate and the U.S. House of Representatives.

- *Congressional Response Products* (2021xN11.CRxx) – This code should be used to capture the time expended on responses to congressional inquiries that do not result in an audit report. This coding allows for differentiation among the various congressional responses. The first four digits reflect the fiscal year; the

next three digits signify this project as a congressional activity; the "CR" identifies the activity as the congressional response; and the final two digits reflect the sequential numbering of each fiscal year's congressional responses. Requests for the next sequential congressional response-related TeamMate+ Time Tracking number should be forwarded via electronic mail to the TeamMate+ Administrator in the OMP.

Since these products will be reflected in the Monthly Performance Report and the Semiannual Report to Congress, they will be assigned product numbers. The numbering scheme will parallel the current report and testimony numbering scheme, with the exception being that the fifth and sixth digits will be used to distinguish the product as a congressional response. The identifying code will be "0R" (*i.e.*, 202x0Rxxx).

- ***Congressional Briefings*** (202xN11.CBxx) – This code should be used to account for the resources expended in providing congressional briefings. For purposes of capturing the time expended to prepare and discuss relevant audit issues, congressional briefings are defined as either a telephone conference or an in-person meeting.

  The audit numbering scheme will be the first four digits reflecting the fiscal year, the next three digits signifying this task as congressional activity, CB identifying the activity as an OA briefing to the Congress, and the final two digits reflecting the sequential numbering of each fiscal year's congressional briefing. To receive a number, the following information must be provided:

  - Date of the Briefing.

  - Subject Matter.

  - Appropriate Congressional Contacts (Committee or Individual).

  - Briefing Attendees.

- ***FOIA Request Responses (202xN11.FRxx)*** – This code should be used for preparing Freedom of Information Act (FOIA) responses.

- ***Special Projects*** – This code should be used to capture non-audit related time such as responding to data calls, preparing the Annual Audit Plan, analyzing/approving monthly TeamMate+ Time Tracking data, or any other projects assigned by the Assistant Inspectors General for Audit.

- ***Staff Development – Training*** – These are courses sponsored by the Treasury Inspector General for Tax Administration (TIGTA), the Department of the

Treasury, or the IRS and are commonly referred to as in-house courses. This category should also be used for training from outside vendors (*i.e.*, CIGIE Training Institute, ESI International, Association of Government Accountants, Graduate School USA, American Institute of Certified Public Accountants, Institute of Internal Auditors, *etc.*).

- ***Staff Development - OJT - Trainee/Coach*** – This code can be used by both the trainee and the ***On-the-Job Training*** (OJT) coach and the ***Onboarding Coach***. However, no CPE should be reported under this code. Generally, the trainee will charge all of his or her time to this category during the first six months or completion of the OJT package, whichever comes first. The coach can charge up to one-half of his or her time during the comparable period to OJT. All CPE hours for the Graduate School USA correspondence course should be reported under ***Staff Development – Training*** after the new employee completes the course.

  Interns who will work full/part time over the course of the year with the intent of being converted to a permanent position after they graduate, including summer hires, should charge time to either the ***Staff Development - OJT - Trainee/Coach*** TeamMate+ Time Tracking code or their assigned audit depending on the nature of the work conducted. Interns that work intermittently (with a Not-To-Exceed date), such as a summer intern, or some other finite term, should charge time to the ***Staff Development - OJT - Trainee/Coach*** code.

- ***Staff Development - Self-Study/Profession Certification*** – This code is used to record duty time spent on self-study courses and courses taken in preparation for achieving a professional certification.

- ***Staff Development - Leadership Development*** – Used to record duties associated with any type of leadership development program.

- ***General Short-Term Research*** – This indirect time code is used for short-term research conducted for planning audit assignments. Each OA business unit has their own code (*i.e.*, CEO General Short-Term Research, MSE General Short-Term Research, *etc.*).

- ***Strategic/Annual Audit Planning*** – This indirect time code is used for strategic and annual audit planning and the development of risk assessments. Each OA business unit has their own code (*i.e.*, CEO - Risk Assessments, MSE - Risk Assessments, *etc.*).

- ***Investigation Collaterals*** – This indirect time code is used for assisting the Office of Investigations.

- ***Anti-Fraud Project Data Mining/General Research*** (202x0920.x0) – This code is used for anti-fraud or integrity project data mining projects. The numbering schema below should be used for these projects:

202x0920.10	MSE – Anti-Fraud Project Data Mining
202x0920.20	SITS – Anti-Fraud Project Data Mining
202x0920.30	CEO – Anti-Fraud Project Data Mining
202x0920.40	RPA – Anti-Fraud Project Data Mining
202x0920.50	Reserved for Integrity Board Members
202x0920.60	MPW – Anti-Fraud Project Data Mining

- ***Auditing Area Research Project*** (202xxxRxxx) – Projects for researching specific issue areas to determine the best approach for performing an audit or series of audits will be tracked with this new numbering schema.

For information on the suspensions of audits that are delayed because of other priorities, please see **Section (300)-60.6.1**.

120.4.2   Major Management Challenges Codes. These codes are used to identify audits by the Major Management Challenges identified each fiscal year. This information is used when preparing reports and the Semiannual Report to Congress. The codes are communicated annually via a DIGA memorandum.

120.4.3   Origin of Audit Codes. These codes are used to identify the origin of the idea for the audit. If an audit idea was developed by other TIGTA functions or one of the OA's business units, the code will be designated as Inspector General (IG), Management Services and Exempt Organizations (MSE), Security and Information Technology Services (SITS), Compliance and Enforcement Operations (CEO), or Returns Processing and Account Services (RPA). If the audit idea was a suggestion from IRS executives, the appropriate code can be found in the table in **Exhibit (300)-120.2**.

120.5   TeamInsights Reports.
Project profiles and exception data will be updated (sent) on a biweekly basis. Updates will be monitored systemically and reports distributed.

Data is validated by systemic tests and is further evaluated by the Administrator. A wide variety of reports can be generated instantly within TeamInsights Reports, and are used to create both monthly and quarterly management reports. Some of the management reports that utilize TeamInsights Reports data include:

- Open Projects Report.

- Closed Projects Report.

- Cancelled Projects Report.

- 90 Day Pending Draft Due Date.

- Workpaper Sign-Off Status.

- Schedule of Drafts Outstanding Over 60 Days.

- OA TIGTA Performance Report.

The Drafts Outstanding Over 60 Days report is distributed internally to OA management to aid in the management and oversight of the audit program. The Director, OMP, forwards the OA's TIGTA Performance Report to the Office of Mission Support staff, where it is combined with the remaining offices in the TIGTA to create the TIGTA Performance Report.

The DIGA will include the Deputy Inspector General for Inspections and Evaluations (I&E) on the monthly e-mails to the Inspector General with the listing of all planned, open, and closed projects by status for the OA each year. The DIGA will receive bi-monthly listings of ongoing projects from I&E.

120.6   Audit Time Report.
The OA's employee time is controlled on TeamMate+ Time Tracking. Project time will be input by audit staff into TeamMate+ Time Tracking via the web-based application. All OA employees should use this Time Tracking to provide a daily record of their time expended on audit activities, training, and leave. Employees can complete and submit their form electronically at the end of the week to their appropriate manager for review and approval. Timely submission is essential because this information is used by TeamMate+ Management Administrators in the preparation of monthly activity reports.

Travel and administrative time, such as preparing travel vouchers, time reports, and employee evaluations, should be charged to related audit projects.

120.6.1   Recording of Time in TeamMate+ Time Tracking by Interns.
In order to ensure consistency in the manner in which Interns record time in the TeamMate+ Time Tracking Area as well as to ensure compliance with the GAO's Competence Standards, Audit Managers should have their assigned Interns record time as follows:

- Pathways interns on temporary appointments (*i.e.*, work intermittently with a Not-to-Exceed date, such as a summer intern, or some other finite term) should charge time to the ***Staff Development - OJT - Trainee/Coach*** code.

- Pathways interns who will work full/part time over the course of the year with the intent of being converted to a permanent position after they graduate should charge time to either the ***Staff Development - OJT - Trainee/Coach*** code or their assigned audit depending on the nature of the work conducted.

For more information on the Pathways Program and intern designations see TIGTA Manual Section **(600)-70.24**.

Exhibit (300)-120.1
Origin of Audit Codes

(For example, if the idea for the audit was from Returns Processing and Accounts Services Annual Planning efforts, use TIGTA code. If the audit idea was obtained from an IRS executive within the W&I Business Operating Division, use IRS code WID.)

Code	Title
IG	TIGTA Office of the Inspector General
CEO	TIGTA Compliance and Enforcement Operations
MSE	TIGTA Management Services and Exempt Organizations
RPA	TIGTA Returns Processing and Account Services
SITS	TIGTA Security and Information Technology Services
IE	TIGTA Inspections and Evaluations
OI	TIGTA Office of Investigations
CFO	Chief Financial Officer
CID	IRS Criminal Investigation
CTO	IRS Chief Technology Officer
FMSS	Chief, Facilities, Management and Security Services
HCS	IRS Human Capital Officer
IOB	IRS Oversight Board
LBS	IRS Large Business and International Division
SBS	IRS Small Business/Self-Employed Division
TAS	IRS Taxpayer Advocate Service
TEG	IRS Tax Exempt & Government Entities Division
WID	IRS Wage & Investment Division
HWM	House Ways & Means Committee
SAC	Senate Appropriations Committee
SFC	Senate Finance Committee
STA	Statutory
OTH	Other

CHAPTER 300 – AUDITING

(300)-130   **Retention, Control, and Security of Audit Documents**

130.1   Office of Audit Records Overview.
The Office of Audit (OA) is responsible for the record keeping and control of audit documents, including adequate security over electronic and manual reports, memoranda, workpapers, and other documents.

130.2   Workpaper Files.
Paper workpapers and electronic TeamMate+ workpapers will be maintained in accordance with Treasury Inspector General for Tax Administration's (TIGTA) retention standards. See **Section (300)-60.12.1** for typical documents maintained in the TeamMate+ or audit control files. The retention period for TeamMate+ files has been revised to five years. Retention information is included in the Request for Records Disposition Authority ***Records Schedule Number DAA-0056-2012-0001***. See **Exhibit (300)-130.1** for this schedule.

For specific guidance on actual records transfer procedures, please refer to the TIGTA Operations Manual.

The OA may keep workpaper files that contain information of recurring usefulness accumulated and arranged in logical order for use in planning new audits and as a knowledge management resource for future audit staff. These are particularly useful in conducting financial audits. These files may contain basic organization and operating information, such as:

- Functional organizational charts.

- Office locations.

- Names and titles of key officials.

- Flowcharts of key operations.

- Other pertinent information.

- Indexed audit plans.

- A record of findings and other matters for which follow-up action is required during succeeding audits.

For Computer Matching Act analyses and files, including the Audit Plan, Integrity Project Plan, Research Project Plan, and other files, the applicable workpapers should document the systems of records being used, how the data will be used for matching purposes, and the specific audit/business objective to be achieved. These plans should be approved by the respective Assistant Inspector General for Audit (AIGA) or designee before performing the analysis. In addition, because the Treasury Data Integrity Board may request TIGTA to report computer matching data, the audit team should also include in the workpapers:

- The date the match was performed.

- The auditor performing the match.

- The number of records in the final result.

- The hours spent performing the match.

See **Section (300)-60.4** for more information on computer matching.

130.3   Audit Project Control Files.
The TeamMate+ audit project files should include summary information of closed projects and audits. This information is useful to management in tracking assignments from planning to the issuance of the final report or memorandum. These files also provide ready reference to assist management in carrying out quality reviews.

130.4   Document Control in the Office of Management and Policy.
The Office of Management and Policy (OMP) maintains electronic files related to audits and projects in the Historical Audit Project Documents tab (formerly called the Integrity Data System (IDS)) on the Office of Audit Community SharePoint site. The folders contain audit justifications, audit plans, briefing documents, draft and final reports, engagement letters, Joint Audit Management Enterprise System (JAMES) Corrective Action Forms (CAF), memos, and other documents. The folders are stored by fiscal year and TeamMate+ audit number. The folders also contain audit initiation documents and other report-related documents.

Electronic files for each closed audit are required to be forwarded to the ***TIGTA Audit PGP1*** e-mail address for entry into the Historical Audit Project Documents tab in SharePoint. The OMP will monitor document submissions to maintain integrity. To keep these files current, audit offices should forward the required documents to the OMP timely and use the prescribed naming conventions. The files and their required naming conventions are identified in **Exhibit (300)-130.2**.

Electronic files, except those associated with final reports, should be sent to the OMP "zipped" into one file using the TeamMate+ audit number as the file name. Final report files should be "zipped" using the report reference number as the file name.

All e-mails forwarding audit reports to the ***TIGTA Audit Reports*** e-mail address should use a standard naming convention. This naming convention should consist of the TeamMate+ audit/project number followed by "Draft Report" or "Final Report" (*e.g.,* 201x10001 Draft Report, 201x10002 Final Report). Titles of the reports should not be included in the e-mail subject line; however, they may be included in the body of the message.

130.5   Administrative Files.
Disposition of administrative and housekeeping records and files, such as time sheets, travel vouchers, and other types of records that are common to all Federal agencies and are not agency mission specific, are covered by the General Records Schedules.

These schedules can be accessed under TIGTA at the National Archives ***Records Control Schedules***.

130.6   Security of Audit Work Areas.
Responsibility for maintaining security over audit work areas and records is shared by all OA employees. For our purposes, "records" encompasses material containing tax data, taxpayer information, workpapers, audit reports, proprietary data, and information concerning Internal Revenue Service (IRS) operations, acquired in connection with an audit or other official use. The Department of the Treasury Security Manual (TD P 71-10) provides uniform security policies and general procedures for the Department of the Treasury. The following procedures apply to all OA offices and local sites where auditors are performing their duties:

- Lockable desks and filing cabinets should remain locked when not in use.

- Audit reports, records, and keys to cabinets should not be maintained in unlockable desks or cabinets.

- Employees should be assigned keys for the desks they occupy and are responsible for locking their desks each evening.

- Employees must safeguard the privacy, confidentiality, and sensitivity of internal communications, such as facsimiles, electronic files, email, and the Voice Management System to protect against unauthorized disclosures.

Each employee who participates in hoteling shall be provided with a minimum of one lockable file drawer in which to store their personal belongings and office files.

Participating managers shall be provided with a minimum of one lockable four-drawer lateral file cabinet.

The IRS Law Enforcement Manual (LEM) materials and other materials administratively classified for IRS internal use will not be included in OA memoranda and reports – see **Section (300)-90.15**. In addition, access to highly sensitive information should be restricted to approved managers or auditors. Administratively restricted or sensitive materials include, but are not limited to:

- Informant names.

- Names of individual and business taxpayers.

- Names of IRS employees (titles are acceptable).

- Social Security Numbers.

- Employer Identification Numbers.

- Document Locator Numbers.

- All other statements that might compromise the anonymity of informants, taxpayers, or IRS employees.

If necessary, certain administratively classified information may be presented in attachments to OA memoranda and reports to provide an understanding of the audit issues. This information may also be associated with corresponding document transmittals. However, information concerning the identity of confidential informants will not be included, and specific taxpayer identifying information will rarely be needed. Very general, non-classified statements relating to classified materials may be included in these OA documents.

Exhibit (300)-90.2 contains additional examples of information that should not be contained in audit reports.

130.7   Annual Review of Physical, Computer, Document Security, and Disposition of Records.
Managers and employees are responsible for providing reasonable security for all information, documents, and property with which they are entrusted; for complying with all security requirements; and, for reporting any significant violations to the respective AIGA or Deputy Inspector General for Audit (DIGA), as warranted.

Among other requirements, the Federal Managers Financial Integrity Act of 1982 (FMFIA) requires agencies to provide "reasonable assurance" that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation. These requirements are implemented by the Office of Management and Budget (OMB), in Circular A-123, Management Accountability and Control.

At the end of the fiscal year, each agency is required to prepare an annual assurance letter regarding the adequacy of its internal controls over physical security. This document requires the IG to provide written assurance to the Secretary of the Treasury that TIGTA has made a conscientious effort to comply with the internal control requirements of various legislation and is operating in accordance with procedures and standards prescribed by the Comptroller General and OMB. Within TIGTA, the Office of Mission Support requests this information at the beginning of the subsequent fiscal year and consolidates the functional responses into TIGTA's annual assurance letter.

To be able to annually address the state of physical security within business units, each AIGA must ensure that at least one security review is conducted annually at each of the business unit's posts of duty (POD) (including their Headquarters space). Each security review is to be unannounced, conducted on an irregular basis (*i.e.*, not just prior to September 30), and completed no later than September 30. Each AIGA has the discretion to decide who will conduct the security review and, also, to determine if additional security reviews should be conducted during the fiscal year.

To save staff resources, AIGAs of co-located business unit staffs may consider using a single security review for the particular POD to cover a shared office. Results of these reviews should address the separate business unit staff to the extent possible, *e.g.*, sensitive files on a specific employee's desk.

A suggested **Annual Office Security Checklist** is included in **Exhibit (300)-130.3** for use in each security review. The checklist is also included in the Templates section of Microsoft Office Word. The checklist also includes the physical security interim guidelines as required in **TIGTA Memorandum No. 01-21**. Documentation for each physical security review, including co-joined reviews, should be submitted to the respective AIGA(s).

In addition to managing a business unit's physical security review, each AIGA is responsible for ensuring completion of an annual review of the maintenance/storage of audit files to ascertain proper retention in accordance with **Exhibit (300)-130.1** requirements. The retention of any records in excess of the specified period must be explained in a memorandum and approved by the AIGA.

Each AIGA also will ensure that, at least annually, or whenever an employee leaves the business unit, combination locks or key pads have been changed on all office doors and

combination locks for containers containing sensitive or confidential information have been changed.

130.8   Requests for Inspector General Documents.
Final audit reports and the Annual Audit Plan will be published on the TIGTA Internet website. Requesters of these documents should be directed to the TIGTA Internet website. Requests for audit documents that are not publicly available on the TIGTA Internet website should be directed to the Chief Counsel's Disclosure Branch.

It is TIGTA's policy that auditors will not discuss or provide written documentation concerning audit information that has not been fully developed and/or has not been discussed with appropriate IRS management, including issues addressed in memoranda and draft reports.

Information can be shared on audit activities for which a final report has been issued. If requests for final reports or workpapers are received, the OMP will be responsible for guidance and issuance to the respective recipient. This process should be used to ensure that the redacted version of the report is provided. In all instances, good professional judgment should be exercised when information is discussed or released.

To minimize duplication of audit coverage, Government Accountability Office (GAO) personnel may request information from audit teams. If GAO personnel request access to audit workpapers or memoranda/draft reports, the following procedures should be followed:

- *Open Audits* – Written requests to review workpapers, memoranda, discussion draft, or draft reports must be submitted to the DIGA. The DIGA will determine the action to be taken on these requests on a case-by-case basis.

- *Closed Audits* – When an audit office receives a request from the GAO to review the supporting workpapers to an audit report, it will notify the DIGA. All requests will be evaluated before documents are released. Workpapers retained by the participating field offices will be requested by the OMP. An inventory of all of the workpapers will be taken. The inventory listing will contain a general description of each file folder, the number of pages, and any other documents or information that may be relevant to ensure the proper identification of the workpapers.

All GAO auditors assigned to a review should be listed on an approved Internal Revenue Code § 6103 disclosure list so their audit discussions concerning tax information should not pose any legal disclosure concerns.

Exhibit 300-130.1
Treasury Inspector General for Tax Administration Records Control Schedule

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
Request for Records Disposition Authority   Records Schedule DAA-0056-2012-0001

Request for Records Disposition Authority

Records Schedule Number	DAA-0056-2012-0001
Schedule Status	Approved
Agency or Establishment	Department of the Treasury
Record Group / Scheduling Group	General Records of the Department of the Treasury
Records Schedule applies to	Major Subdivision
Major Subdivision	Treasury Inspector General for Tax Administration
Minor Subdivision	Assistant Inspector General for Audit
Schedule Subject	Treasury Inspector General for Tax Administration (TIGTA}
	The Treasury Inspector General for Tax Administration was established in January 1999 in accordance with the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98) to provide independent oversight of Internal Revenue Service (IRS) activities. TIGTA's focus is entirely on tax administration issues. TIGTA conducts and supervises independent and objective audits and investigations relating to IRS programs and operations. TIGTA informs the Secretary of Treasury and the Congress of problems and the progress made in resolving them.
Internal agency concurrences will be provided	No
Background Information	Treasury Inspector General for Tax Administration

Office of Audit Records Control Schedule |
| | TeamMate+ program software. This system is the primary audit documentation, project tracking and workflow management tool for the Office of Audit. It provides frontline project management, management support and oversight to the Office of Audit by tracking each project from planning to issuance of a final report. It provides typical project management efficiency matrices, tracks project time and expense and is customized/configured to provide a snapshot of the entire Office of Audit program, with up-to-the- minute information. The system serves as the primary tool for creating and maintaining audit work papers and supporting documentations. Documentation relates to audits, as well as inspections and evaluations completed under the auspices of the Office of Audit of a particular office activity or function for a specific period, as well as special studies and/ or investigations conducted by the Office of Audit jointly with other organizations. Documentation includes, but is not limited to, analyses, interview records, audit plans, discussion draft reports, memoranda, as well as taxpayer confirmation letters. |

Outline of Records Schedule Items

Sequence Number 1	Master Audit Files	
	Disposition Authority Number DAA-0056-2012-0001-0001	
	Contains data related to the planning, execution and reporting of Office of Audit projects since 1998. The system provides workflow management (*i.e.*, project tracking) program planning, and time and expense data along with documentation used to support results of audits, as well as inspections, evaluations completed under the auspices of the Office of Audit on past, current and planned reviews.	
	Final Disposition	Temporary
	Item Status	Active
	Is this item media neutral?	Yes
	Do any of the records covered by this item currently exist in electronic format(s) other than e-mail and word processing?	Yes
	Do any of the records covered by this item exist as structured electronic data?	Yes
	GRS or Superseded Authority Citation	N1-56-09-6, item 1b
	Disposition Instruction	
	Cutoff Instruction	Cutoff files at the end of the fiscal year
	Retention Period	Destroy five years after cut-off or when the information is no longer needed, as determined by the Deputy Inspector General for Audit or its designee, whichever is later
	Additional Information	
	GAO Approval	Not Required

Exhibit (300)-130.2
Audit Document Naming Conventions

Required Document Name	Description	Due to *TIGTA Audit PGP1 email address
TeamMate+ Audit Number-Audit_Justification.doc	Project/Audit idea/lead document	When approved by designated official
TeamMate+ Audit Number-Initiation.doc	Project/Audit initiation document	When approved by designated official

Due at Start of Fieldwork

Required Document Name	Description	Due to *TIGTA Audit PGP1 email address
TeamMate+ Audit Number-Audit_Plan.doc	Project/Audit approved work plan	When approved by designated official
TeamMate+ Audit Number-Engagement_Letter.doc	Engagement letter	When signed by the DIGA

Due During the Audit/Project

Required Document Name	Description	Due to *TIGTA Audit PGP1 email address
TeamMate+ Audit Number-Briefing_date.doc	Briefing papers issued to IRS management	When approved
TeamMate+ Audit Number-Memo_date.doc	Audit memos issued to IRS management	When signed
TeamMate+ Audit Number-Suspended_date.doc	Document explaining suspension of project	When approved by designated official
TeamMate+ Audit Number-Cancellation_date.doc	Document explaining cancellation of project	When approved by designated official
TeamMate+ Audit Number-Closing_date.doc	Document explaining closing of project	When approved by designated official
TeamMate+ Audit Number-Postponed_date.doc	Document explaining postponement of project	When approved by designated official

Due When Draft Report Is Issued

Required Document Name	Description	Due to *TIGTA Audit PGP1 email address
TeamMate+ Audit Number-Discussion_Draft.doc	Complete discussion draft in one document, including transmittal letter, title page, table of contents, report body, and appendices.	When signed by the AIGA.
TeamMate+ Audit Number-Draft_Report.doc	Complete draft report in one document, including transmittal letter, title page, table of contents, report body, and appendices	When signed by the DIGA
TeamMate+ Audit Number-Audit_Plan_Adden_date.doc	Final audit plan or approved addendum	When approved
Please enter highlighted information and do not include symbols, such as parentheses or # signs, in file names.		

Exhibit (300)-130.2 (cont'd)
Audit Document Naming Conventions

Due When Final Report Is Issued

Required Document Name	Description	Due to *TIGTA Audit PGP1 email address
TeamMate+ Audit Number-Final_Report.doc	Complete final report in one document, including title page, transmittal letter, table of contents, report body, and appendices (including IRS response)	When signed by the DIGA
TeamMate+ Audit Number-F_Audit_Plan.doc	Final Project/Audit work plan	Within two workdays of issuance of final report
TeamMate+ Audit Number-Follow-up_Audit_Plan.doc	Project/Audit follow-up work plan	When approved
TeamMate+ Audit Number-Mgmt_Response.doc	Response to draft report from management	Within two workdays of receipt of the response
TeamMate+ Audit Number-Audit_Highlights.doc	Audit Highlights document	When final report is signed by the DIGA
TeamMate+ Audit Number – Disclosure Checklist	Disclosure checklist	When final report is submitted to OMP for review
Please enter highlighted information and do not include symbols, such as parentheses or # signs, in file names.		

Due When a Late Management Response Is Received

Required Document Name	Description	Due to both the *TIGTA Audit PGP1 email address and to the *TIGTA Audit Reports email address
TeamMate+ Audit Number-Mgmt_Response.doc	Management response received after the issuance of the final report	Within two workdays of receipt of the late response
TeamMate+ Audit Number-Reference Number-JAMES CAF.doc	Updated JAMES CAF document	Within two workdays of receipt of the late response
TeamMate+ Audit Number-OA_Rebuttal.doc	OA's rebuttal to the management response (where applicable)	When approved
Please enter highlighted information and do not include symbols, such as parentheses or # signs, in file names.		

Exhibit (300)-130.3
Annual Security and Records Disposition Checklist Physical Security Guidelines

Annual Security and Records Disposition Checklist Physical Security Guidelines		
Business Unit:		
Name of Individual Conducting Review:		
Office Location/Room Numbers Checked:		
Date and Time of Review:		
TIGTA Memorandum No. 01-21 Interim Physical Security Guidelines, August 8, 2001	**Office of Audit Guidelines Items to be reviewed during the after-hours physical security review**	**Comments**
Managers and/or Facilities (OI:IG:MS:P) Responsibilities:		
1. Cipher lock combinations must be changed whenever an employee leaves the organization. If an employee leaves the organization under other than honorable circumstances, the cipher lock combination must be changed immediately. At the very least, cipher lock combinations are to be changed once a year.	1. Has the combination for each cabinet containing sensitive information and for each door lock or key pad been changed in the past fiscal year or since someone from your office left TIGTA? If no, please explain.	
2. Cipher locks are not dead bolt locks. For external access doors, cipher locks must be used in conjunction with a dead bolt lock. A separate dead bolt must be installed on outside entry doors.	2. Has Standard Form 700, Security Container Information, been completed and a copy submitted to the AIGA's office for safekeeping. If no, please explain.	
3. Computer screens are to be positioned to face away from windows and doors, whenever possible. If the physical layout of the office does not permit this, at a minimum, blinds, security screens or shades need to be installed and closed while using the computer.		
4. Keys for office doors and locking files must be secured when not in use and kept separate from the cabinets.		
5. TIGTA offices located in private buildings should, at a minimum, conduct a fire alarm/evacuation drill at least once a year.		
6. TIGTA Offices located in Federal Buildings: Managers should assure that a copy of the Occupant Emergency Plan (OEP) is accessible to all office employees. TIGTA employees are responsible for familiarizing themselves with the OEP. TIGTA employees should participate in all OEP activities, including evacuation drills.		
7. All TIGTA managers should be familiar with the letter dated December 6, 1999, Recall Procedure". Each manager should maintain an up-to-date recall roster of employees. See **TIGTA Memo 01-021**, Physical Security Interim Guidelines and its attachment below tigta0121att.doc		

Exhibit (300)-130.3 (cont'd)
Annual Security and Records Disposition Checklist Physical Security Guidelines

TIGTA Memorandum No. 01-21 Interim Physical Security Guidelines, August 8, 2001	Office of Audit Guidelines Items to be reviewed during the after-hours physical security review	Comments
	Employee's Responsibilities	
8. Sensitive material and taxpayer information must not be left out at night or when offices are unattended. These materials are to be stored in a secure area (locking file cabinets).	3. If your office has any files or equipment; *i.e.*, audit reports, LEM material, tax returns, which require more than normal protection, are they adequately protected? If no, please explain.	
	4. Were all containers used for official records appropriately secured with working locks? If no, please explain.	
	5. Was all computer software and data properly safeguarded? For example, indication of unprotected sensitive information, unattended work stations not in a log out or lock-up mode, or computer equipment exposed to physical hazards? If no, please explain.	
	6. Were all electronic storage devices properly sorted and protected? If no, please explain.	
9. During business hours, office access should be limited to authorized personnel and visitors only. Doors should be locked or entry monitored by a member of TIGTA staff. Persons seeking access to TIGTA space who are unknown to staff, such as individuals providing maintenance and other services, should be required to produce identification. Visitors should be escorted at all times.	7. Were all the doors locked during and after work hours? If no, please explain.	
	8. Were there any instances of burglary, theft, housebreaking, larceny, or robbery during this reporting period? If yes, please explain.	
	10. Were there any audit reports or related data (*i.e.*, abstracts, memorandum, etc.) in the office that are being kept beyond the required disposal period described in Exhibit (300)-130.1, TIGTA Records Control Schedules? If yes, please explain.	
	11. Were there any potential fire or safety hazards in the TIGTA office space? If yes, please explain. Also advise whether the hazards were brought to the attention of the TIGTA's Safety Official and what was done to correct the hazard.	

Exhibit (300)-130.3 (cont'd)
Annual Security and Records Disposition Checklist Physical Security Guidelines

TIGTA Memorandum No. 01-21 Interim Physical Security Guidelines, August 8, 2001	Office of Audit Guidelines Items to be reviewed during the after-hours physical security review	Comments
	Employee's Responsibilities (cont'd)	
	12. Employees participating in the Telecommuting Program are required to complete the Self-Certification Safety and Security Checklist. The employee and his/her manager should both sign and date the checklist. A copy of the checklist should be provided to the employee, with the original maintained in the employee's Drop File. Are signed checklists maintained in the employee's Drop File? If no, please explain.	

CHAPTER 300 – AUDITING

(300)-140   Staff Development

140.1   Overview.
The Office of Audit (OA) is responsible for complying with the generally accepted *Government Auditing Standards* (GAGAS). The standard regarding competence in GAGAS paragraphs 4.02-4.11 requires that the audit organization's management must assign auditors to conduct the engagement who before beginning work on the engagement collectively possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS. GAGAS paragraphs 4.16 through 4.53 discuss continuing professional education (CPE) requirements. To meet this standard, the OA training program addresses the following areas:

- Employee training.

- Leadership development.

- Delineation of employee's responsibilities by position.

- Maintaining support documentation for CPE.

- TeamMate+ recording of training classes.

- Training classes offered by outside vendors.

- CPE seminars by business units.

- Onsite outside vendor training presentations.

- In-house training presentations.

- Self-study courses.

- Encouragement to obtain professional certifications.

- Rotation/reassignment policy.

The **Integrated Talent Management System (ITMS)** provides all Treasury Inspector General for Tax Administration (TIGTA) employees with access to web-based training, performance support, competency management, and other professional development services.

Some key features and benefits of the ITMS include:

- A way to create and manage personalized learning plans for employees.

  - Identify and document learning and career goals.

  - Identify relevant learning opportunities and set target completion dates.

  - Manage personal career development.

- Access to professional development courses, including leadership.

  - Access web-based, online courses in the SkillSoft Library that cover a variety of subjects concerning information technology and business skills.

  - Access web-based books and references from Books 24x7, a reference and learning software that allows the employee to set up a personal, online bookshelf to store content pertinent to his or her job, projects, and interests for quick retrieval or research.

  - View learning history.

  - Generate training reports and certificates of completion.

- Automation of the *Request, Authorization, Agreement and Certification of Training* (SF-182) training request process.

- Access to the ITMS from work or home for just-in-time training and self-directed learning.

140.2   Employee Training.

140.2.1   New Employee Training.   New employees must complete the following processes or training:

- On Boarding – The goal of the OA Onboarding process is to provide new employees with a point of contact for day-to-day administrative issues such as the location of facilities and supplies, obtaining access to the various systems, *etc*.

- Orientation – Each new employee, including new student interns, must complete the TIGTA new employee orientation process.

As part of the new employee orientation process, the following classes must be completed. These classes can be found on the employee's To-Do-List in ITMS. (The new employee's manager may need to add the TIGTA's Authority and Understanding I.R.C. 6103 classes to the employee's To-Do- List if not pre-populated.)

- Ethics.
- Cybersecurity Awareness.
- FOIA Training for Federal Employees.
- Equal Employment Opportunity/Reasonable Accommodation Records Management for Employees and Contractors.
- Tax Compliance.
- No Fear Act.
- TIGTA Information Privacy Briefing.
- TIGTA's Authority.
- Understanding I.R.C. § 6103.

- On-the-Job Training – On-the-Job training (OJT) is designed to assist new employees by providing guidance and experiences necessary to achieve satisfactory performance. OJT materials are available on-line through the OA Community SharePoint website under the **Guidance** section **in the Orientation-OJT Documents** folder. This includes an Employee OJT Guide and a Coach's OJT Guide that cover the following topics:

  - Information on TIGTA, OA, and the Internal Revenue Service (IRS).
  - Auditing standards and the audit process.
  - Staff development.

The OA encourages assimilating new hires into the audit process as soon as is practical. As such, each new employee should be immediately assigned to an audit in order to learn and master the OA's audit techniques. OJT allows the new employee to learn auditing skills under the guidance of an experienced employee and, at the same time, to contribute to the OA's overall success.

Within budget constraints, new employees must complete the following training:

- Government Accountability Office (GAO) Yellow Book - Provides an overview of the 2018 Yellow Book and significant requirements that pertain to the Office of Audit and its performance audits.

- Audit Evidence and Documentation - Provides knowledge useful in identifying and gathering sufficient, relevant evidence to satisfy audit objectives.

- Interviewing Skills and Techniques - Provides guidance on how to conduct an interview to properly gather audit evidence.

- Developing Findings - Provides an understanding of the process used to develop audit findings that will improve tax administration.

- Information Systems Auditing - GS-2210 IT Auditors should complete the Information Systems Auditing course offered by the Graduate School or a similar source. The course should include instruction on the basic processes, tools, and techniques involved in auditing information systems, and provide familiarity with the basic audit techniques specified in the GAO's Federal Information System Controls Audit Manual (FISCAM), selected National Institute of Standards and Technology (NIST) special publications and other relevant audit guidance. The employee will discover alternative methods of evaluating and testing both general and business process application controls, including identifying indicators of potential fraud.

- Introduction to Tax Administration - Provides a visual walkthrough of a processing center and covers key responsibilities in processing tax returns (*i.e.*, pipeline and non-pipeline functions.) Also, addresses research tools, strategic planning and briefings.

- Pathways Program employees (Recent Graduates) - must complete 40 hours per year of formal interactive training. Managers are responsible for ensuring that the Recent Graduate Pathways employees complete the required 40 hours per year and submitting the appropriate documentation to the OA Training Coordinator.

- Student Interns must complete the following:

  - Orientation.

  - OJT.

140.2.2 <u>Competency Matrices</u>.   The OA Competency Matrices should be used by employees and managers in assessing employees' readiness to advance to the next level. **Completion of the tasks is not a guarantee of advancement.**

These documents also identify mandatory and suggested training and development opportunities to assist OA employees at the GS-5 through GS-13 levels in developing their professional knowledge and skills. The respective manager must track completion of mandatory training/tasks.

Employees and their managers should use the Matrices in developing individual short- and long-term training and development plans for acquiring the knowledge and skills needed for career advancement.

The templates for the Competency Matrices can be found in the Audit Forms folder in the Templates section of Microsoft Word (Word/File/New/Personal Audit Forms Folder).

140.3 Leadership Development.

140.3.1 Treasury Leadership Development Program. This Program is a virtual training series designed to help develop new Treasury leaders. The Program is organized into three tracks - Leading Yourself, Leading Your Team and Leading the Business. Access to the Program is available in ITMS.

The OA also includes Leadership Development topics, when appropriate, within its in-house training curriculum.

140.3.2 Management Leadership Training.   Employees promoted to a management position should attend the following training courses:

- New Managers must complete *the New Manager Curriculum* course in ITMS within **six months**.

- New Directors should take a leadership or executive development class within **six months** of assuming a directorship.

- New Assistant Inspectors General for Audit (AIGA) should participate in an executive development course, such as one offered by the Treasury Executive Institute Leadership Program within **six months** of becoming an AIGA.

140.4   Delineation of Audit Responsibilities by Position.
The Deputy Inspector General for Audit (DIGA) is responsible for:

- Establishing a training program.

- Allocating sufficient funds to the training program.

- Ensuring compliance with the training program.

- Approving all training requests for employees that are over $10,000 (*i.e.,* OPM courses, *etc.*) before they are sent through the Purchase Approval Request (PAR) process.

The OA Training Coordinator is responsible for:

- Ensuring properly approved SF-182 documents are maintained in ITMS.

- Registering/enrolling employees for training classes.

- Entering course information into the training log and creating a training folder.

- Sending the employee a registration/confirmation e-mail.

- Editing or transferring an existing SF-182 after submission.

- Updating the training folder and log.

- Coordinating efforts to contract with outside vendors to provide training for:

  - A TIGTA Business Unit CPE seminar.

  - Onsite training at a TIGTA location.

- Issuing a confirmation letter, when appropriate, upon vendor verification of enrollment.

- Ensuring vendors are paid.

- Providing guidance concerning training issues.

- Providing periodic reports on the status of training funds.

- Providing periodic reports on each employee's fulfillment of CPE requirements.

- Coordinating with TIGTA's Procurement Services acquisition function to ensure compliance with procurement regulations.

- Maintaining documentation to support training expenditures.

- Determining allowable CPE hours and CPE type for in-house training programs. Refer to **Section (300)-140.14** for further details.

Each AIGA is responsible for:

- Identifying and developing educational activities, where appropriate, which fulfill the CPE needs of all employees.

- Ensuring CPE educational materials are available to maintain or improve employees' existing skills.

- In conjunction with the OA Training Coordinator, determining allowable CPE hours for in-house training programs. Refer to **Section (300)-140.14** for further details.

- Approving or rejecting any request for exemption from specific CPE requirements. Acceptable reasons cited in the Government Auditing Standards include foreign residency, ill health, maternity/paternity leave, or military service.

- Forwarding approved requests for exception from specific CPE requirements to the DIGA and OA Training Coordinator.

- Submitting *Purchase Approval Requests* to obtain training presentations from outside vendors for the business unit's CPE.

Each Director and Manager is responsible for:

- Ensuring employees fulfill the mandatory CPE requirements.

- Ensuring employees are aware of their responsibilities regarding CPE.

- Assessing whether the training activity will enhance the employee's ability to conduct audits and satisfies the definition of a qualifying activity for which CPE credit may be earned. Managers must use professional judgment in determining whether training qualifies for CPE credit under the GAGAS. Refer to **Section (300)-140.14** for further details.

- Identifying and developing CPE educational activities for all employees as local needs dictate.

- Monitoring completion of required Competency Matrix training/tasks.

- Approving or rejecting the SF-182 in the ITMS.

- Ensuring the SF-182 indicates the appropriate CPE hours to be earned. Refer to Section 140.14 for further details.

- Determining the appropriate classes for the individual employee to satisfy the 24-hour type "G" CPE requirement.

- Ensuring employees correctly report the training classes, CPE hours, and CPE type on their monthly time and expense capture reports.

- Selecting appropriate individuals to serve as Onboarding and OJT Coaches for new employees.

- Approving training plans and schedules for employees based on the Competency Matrices for each grade level and Competency Assessments, as well as monitoring accomplishment.

- Notifying the Training Coordinator when a Pathways Recent Graduate or Intern is converted to a permanent employee.

Each employee is responsible for:

- Meeting the established CPE requirements.

- Submitting the SF-182 in the ITMS.

  - Completing the SF-182 for all training. The SF-182 is required for any training class, which requires the expenditure of funds, whether the funds are for tuition, registration, books, or travel. However, when there is no charge for tuition/registration and the only expenditure of funds is for local travel that does not exceed $100, the SF-182 is not required.

    In cases where the SF-182 is not required, the employee should request (and receive) permission from the manager to attend the course/training event, preferably via e-mail.

  - Completing the approval submission screen. Approval will be by the manager, then the Director.

    o An AIGA's approval is required if the request includes training travel or if the request is for a Director's training.

    o All training requests for employees that are over $10,000 must be approved by the DIGA.

  - Listing the Business Unit Staff Advisor as second to the last approver.

  - Listing the Assistant Training Coordinator as the final approver.

- Ensuring that a registration/confirmation e-mail is received from the OA Training Coordinator prior to attending a class.

- Satisfactorily completing training classes.

- Verifying completion of training and advising the OA Training Coordinator of deficiencies noted regarding courses, instructors or vendors.

- Providing CPE documentation to their Business Unit Staff Advisors as soon as possible. Acceptable documentation includes a copy of the certificate of completion, transcript for a college course (along with the course description), or other evidence of completion from the program sponsor. Where appropriate, documentation supporting CPE credits earned should clearly identify:

  - The employee's name.

  - The name of the organization providing the CPE.

  - Title of the program.

  - Program date(s) or date completed for self-study programs.

  - The number of CPE credits earned (and approved by the manager).

- Employees must use professional judgment in determining whether training qualifies for CPE under the GAGAS. See **Section (300)-140.14** for further details.

- Maintaining sufficient documentation of CPE hours earned. (See Section 140.14 for additional guidance on qualified courses.)

- Providing the supervisor with an explanation when not fulfilling CPE requirements and submitting plans to eliminate any deficiencies.

- Identifying and requesting job experience that may be needed to achieve personal career goals.

- If professional designations are held, meeting CPE requirements to maintain certification.

Each Business Unit Staff Advisor is responsible for:

- Ensuring sufficient funding is available before approving the SF-182 and monitoring the business unit's training budget.

- Notifying the Training Coordinator if multiple registrations will require a purchase order for tuition costing over $10,000 or if a discount is available for multiple participants.

- Ensuring all training requests for employees that are over $10,000 (*i.e.,* OPM courses, *etc.*) are approved by the DIGA before they are sent through the PAR process.

- Approving or denying verification of attendance in the ITMS after the receipt of support documentation.

- Entering training not submitted through the SF-182 process on the employee's ITMS training history.

- Uploading appropriate CPE documentation to the Business Unit CPE SharePoint site folder and editing the titles to ensure the type and number of hours of CPE is correct.

140.5 Maintaining Support Documentation for Continuing Professional Education. TIGTA and its employee are responsible for maintaining documentation of the CPE hours completed. The employee must maintain the following information for each CPE program or activity and provide the documentation to the staff advisors for upload to the Business Unit's CPE SharePoint site. The respective vendor is the primary source for determining the number of CPE hours to be reported. Most vendors identify the appropriate number of hours earned in either CPE hours or Continuing Educational Units (CEU). CEUs should be converted to CPE hours. To convert CEUs to CPE hours, multiply the number of CEUs by 12. For example, a class with 1.5 CEUs would convert to 18 CPE hours.

If the vendor does not indicate the appropriate amount of CPE hours, the employee may calculate the appropriate amount of CPE hours, after satisfactory completion of the requirements of the program, by using 50 minutes of instruction time per CPE hour as the standard.

Employees taking professional certification review classes (reference Government Auditing Standards Section 4.47 for professional certification review course qualifying topics) or college/university courses must coordinate with the OA Training Coordinator to determine the appropriate number of CPE hours to claim. **CPE hours cannot be claimed for sitting for professional certification examinations**.

- Vendor-Provided Courses – Certificate of completion or other evidence of completion provided by the CPE provider that states/supports the number of CPE hours earned and meets the requirements listed above in Section (300)-140.4 (Employee Responsibility Section).

- Conference or Seminar – Certificate of completion or other evidence of completion provided by the CPE provider that states/supports the number of CPE hours earned and meets the requirements listed above in Section (300)-140.4 (Employee Responsibility Section).

  - If no certificate is provided, a copy of the agenda indicating sessions or tracks attended should be maintained. Computation for determining the number of CPE hours using 50 minutes of instruction time per CPE hour as the standard must also be uploaded.

- SkillSoft E-Learning Courses – CPE hours claimed cannot exceed the number of hours shown as course duration.

  - Completion certificate.

  - Class overview and duration.

- Tax Talk

  - Certificate of completion that states the number of CPE hours earned.

- Webcast or Other E-Learning Sites

  - Certificate of completion that includes:

    - Employee Name.

    - Name of the organization providing the CPE.

    - Title of the training program.

    - Date(s) and duration/CPE hours earned for the program.

  If no certificate is provided, or the certificate does not include any of the elements noted above, then:

  - The webcast announcement, or similar documentation, that shows vendor, date, time, title, and webcast overview.

- ▪ Documentation of CPEs earned, webcast beginning and ending time, or screen shots showing webcast duration.

  - E-mail/documentation confirming attendance.

- OA Webcasts – For internal training programs, a certificate of completion will be provided to all participants who meet the applicable requirements (such as, pre-session work, minutes attended, answer polling questions, *etc.*)

- Other Types of E-Learning (CD/DVD, Audio, Videotape, WebEx, Telephone)

  - ▪ Name of the organization providing the CPE.

  - ▪ Employee Name.

  - ▪ Title of the training program.

  - ▪ Date and duration time of the program.

  - ▪ Certificate or other evidence of completion. If no certificate is provided, or the certificate does not note the CPE earned, the employee must compute the CPE hours based on hours of instruction completed. Computation for determining the number of CPE hours using 50 minutes of instruction time per CPE hour as the standard must also be uploaded.

- Organizational Meetings

  - ▪ Name of organization (AGA, IIA, ISACA, *etc*.) providing the CPE.

  - ▪ Employee Name.

  - ▪ Date, location, and time of the meeting.

  - ▪ Meeting agenda (identifying the portion of the meeting that is a structured educational program with learning objectives designed to maintain or enhance auditors' competence).

  - ▪ Certificate or other evidence of attendance, if provided. If no certificate is provided, or the certificate does not note the CPE earned, the employee must compute the CPE hours based on hours of instruction completed. Computation for determining the number of CPE hours using 50 minutes of instruction time per CPE hour as the standard must also be uploaded.

- <u>Treasury Executive Institute</u>

    - Treasury Executive Institute (TEI) flyer showing title, speaker, location, date, and length of program.

    - Registration confirmation e-mail.

    - TEI roster.

- <u>TIGTA In-House Training</u> –The OA training team will upload employee certificates to the appropriate Business Unite CPE SharePoint folders. In addition, the Business Unit Staff Advisor and Headquarters Office will maintain the following documentation on the OA CPE Documentation SharePoint site:

    - Class objective.

    - Date, time, and instructor.

    - Class agenda.

    - Class training material.

    - Sign-in sheet or attendance documentation.

    - Master file of Certificates.

- <u>Business Unit CPE Seminars</u> – The OA training team will upload employee certificates to the appropriate Business Unite CPE SharePoint folders. In addition, Business Unit Staff Advisor and/or Headquarters Office will maintain the documentation on the OA CPE Documentation SharePoint site:

    - Agenda.

    - Sign-in sheet or attendance documentation.

    - Masterfile of Certificates.

Documentation will be maintained on the OA CPE Documentation SharePoint site, which will be available to the AIGAs, Directors, and managers, the OA Training Coordinator, and the Business Unit Staff Advisors or their designee. This consolidated approach will facilitate both internal and external peer reviews by having all documentation in one central location, while also eliminating the need to transfer training documents when employees are assigned to a new business unit.

Documentation will be maintained for a period of **five years** after the fiscal year in which the CPE credits were earned.

140.6   Time Capture of Training Courses and CPE Credits.

All training should be documented in TeamMate+ as 'Duty' hours, regardless of the type of training (mandatory or voluntary) and the type of CPE earned ('O' or 'G'). Employees are responsible for sending all training documentation to the Business Unit Staff Advisors. Business Unit Staff Advisors will be responsible for saving employee training certificates into the Business Unit CPE SharePoint folder and inputting all of the relevant course information in SharePoint (employee name, course title, course date, CPE hours, and CPE type).

140.7   Training Classes Offered by Outside Vendors.
Each employee is responsible for fulfilling his or her annual CPE requirements and identifying useful training classes. To attend a training class offered by an outside vendor, the employee must submit a Form SF-182 through the appropriate approval chain.

140.8   Continuing Professional Education Seminars by Business Units.
The AIGA may develop a CPE seminar to fulfill the training needs for all employees within the business unit. The CPE seminars vary in length and content. Each CPE seminar is tailored to the training needs of the employees and the IRS functional areas audited by the business unit.

An approved off-site memo must be signed by the Inspector General or his designee before contacting hotels or vendors needed for the CPE seminar. All seminar expenses must be reported for the quarterly conference spending report.

To obtain training services, from an outside vendor, at a Business Unit CPE seminar, the following items must be submitted:

- *Request for Purchase* (also submit to the PAR SharePoint site if it exceeds $10,000).

- Approved off-site memo.

- A *Performance Work Statement* that identifies:

  - The subject matter/topics to be covered; the time, date(s), and location of the class.

- The number of students (if an exact number cannot be provided, a range is acceptable).

- A detailed description of the items to be provided by the vendor (*e.g.*, books, audiovisual equipment, records of attendance, *etc.*).

- A detailed description of items to be provided by TIGTA (*e.g.*, classroom, audiovisual equipment).

- A sole source justification for the specific vendor. (Not required if the total cost of the course/presentation is less than $10,000.)

- A narrative justification for the specific class.

- Cost of the class, which includes all expenses associated with the onsite class (materials, books, travel, *etc.*).

- Market survey with a minimum of three vendor's quote on the vendor's letterhead which includes all costs associated with the presentation (materials, books, travel, *etc.*). The quote should also identify the items to be provided by the vendor and/or TIGTA and any limits on the number of students to be trained. (Not required if the total cost of the course/ presentation is less than $10,000.)

See **Section (300)-140.5** for CPE documentation requirements.

140.9   On-site Outside Vendor Training Presentations.
Many vendors will provide their training at a TIGTA location. To obtain a specific training class at a TIGTA site, an approved SF-182 must be submitted to the OA Training mailbox.

A *Request for Purchase* (also must be submitted to the PAR SharePoint site if it exceeds $10,000) that includes:

- A *Performance Work Statement* that identifies:

  - The subject matter/topics to be covered; the time, date(s), and location of the class.

  - The number of students (if an exact number cannot be provided, a range is acceptable).

  - A detailed description of the items to be provided by the vendor (*e.g.*, books, audiovisual equipment, records of attendance, *etc.*).

- A detailed description of items to be provided by TIGTA (*e.g.*, classroom, audiovisual equipment).

- A sole source justification for the specific vendor. (Not required if the total cost of the course/presentation is less than $10,000.)

- A narrative justification for the specific class.

- Cost of the class, which includes all expenses associated with the on-site class (materials, books, travel, *etc*.).

- A market survey with a minimum of quotes from three vendors on each vendor's letterhead which includes all costs associated with the presentation (materials, books, travel, *etc*.). The quote should also identify the items to be provided by the vendor and/or TIGTA, and any limits on the number of students to be trained. (Not required if the total cost of the course/ presentation is less than $10,000.)

The OA Training Coordinator will work with BFS Procurement Personnel to arrange for the onsite class. Granting the contractors access to the TIGTA site, especially an IRS campus, may require coordination with TIGTA and IRS security personnel and is the responsibility of the OA office requesting the course. Also, obtaining space for training courses requires coordination with the appropriate IRS Career Management and Learning Center staff.

See **Section (300)-140.5** for CPE documentation requirements.

140.10   In-House Training Presentations.
In-house training presentations may occur at several locations across the country or only at specific posts of duty. Typically, TIGTA employees prepare and give these presentations. Examples of in-house training presentations include TeamMate+ and report writing. The OA Training Coordinator is responsible for determining the appropriate amount and type of CPE hours for in-house training presentations. The amount of and type of CPE hours should be communicated to the employees attending the in-house training presentation.

For in-house training programs, including Business Unit CPE Seminars and on-site vendor training presentations, documentation of completed training must be maintained by the employee/posted to the OA Training SharePoint site, the Training Coordinator, and the Business Unit Staff Advisor or designee. This documentation includes an agenda or outline of the training program that shows the learning objectives of the program, topics covered, name of the instructor, date(s), and length of the training program; records of attendance and completion; and the number of CPE credits earned.

In addition, evaluations of the training programs should be obtained from the instructors and participants, as appropriate.

140.11   Self-Study Courses.
Self-study courses are available from the ITMS, the IRS, and the Department of the Treasury. Employees should obtain their supervisor's approval prior to enrolling in a class. Since these classes do not require the expenditure of funds, no SF-182 is needed.

140.12   Encouragement to Obtain Professional Certifications.
The Inspector General Act requires an emphasis on detecting and deterring fraud, waste, and abuse in Government programs. Professional certifications appropriate for this emphasis include, but are not limited to, the Certified Public Accountant (CPA), the Certified Fraud Examiner (CFE), the Certified Internal Auditor (CIA), the Certified Information Systems Auditor (CISA), and the Certified Government Financial Manager (CGFM). These certifications and others may help employees achieve and demonstrate additional competencies in specialized areas related to organizational audit activities. Employees are encouraged to participate in these certification programs to expand their professional skills.

The OA will fund the cost of a review course up to $2,000 per exam. Employees will be responsible for paying the difference between the OA-provided funding and the cost of the professional certification course. The OA will not pay for the examination fee, lodging, food, or travel to the examination site. Upon achieving the certification, the individual is responsible for all costs associated with maintaining the certification, including any CPE requirements.

Additionally, the OA's cumulative funding will be limited to $10,000 annually (providing sufficient funds are allocated in the TIGTA budget). Employees requesting reimbursement for more than one professional certification course and materials will be considered for approval provided:

- The employee has passed and obtained the prior OA-funded professional certification.

- Funding a subsequent professional certification course and materials will not conflict with the ability to fund submitted requests by other OA employees for an initial certification.

- Sufficient funds are available in the OA's annual allotment.

To request financial assistance for a review course, the employee must complete a training request in the ITMS and obtain the necessary managerial approvals. The OA

Training Coordinator must remit the OA payment directly to the vendor. Therefore, employees must not self-register for a course or purchase self-study course materials. **The OA is unable to directly reimburse an employee for review courses and materials.** After receiving the approved training request, the OA's Training Coordinator will coordinate remittance of the OA funded portion of the course fee directly to the vendor and will register the employee and purchase the training course. The employee will be responsible for remitting any remaining portion of the course fee to the vendor or reimbursing TIGTA, as appropriate.

In order to ensure that both the employee and the OA receive full benefit from OA-funded review courses, employees are required to complete the review course and submit evidence of having taken the related examination within 12 months of either receiving the course materials for self-study courses, or beginning classroom-based review courses. If these criteria are not met, the employee will be required to reimburse the OA for funds provided for the review course and related materials.

The 12-month completion period may be extended due to extenuating circumstances Extenuating circumstances include: (1) illness (medical documentation required), (2) personal emergency (self or immediate family member), or (3) work-related emergency or hardship. In these cases, a written request must be provided to the employee's manager before the end of the 12-month period. This request should briefly outline the circumstances that require the extension and the revised completion date. The request must be approved by the employee's manager and Director. A copy of the approved extension request must then be provided to both the employee and the OA Training Coordinator.

Use of individual employee workstations and official duty time for study purposes is authorized. Employees must obtain their supervisor's approval before using official duty time to study for a professional certification. Study time may be taken throughout the entire review period or concentrated in the weeks immediately preceding the examination. In order to ensure timely completion of audit assignments, the manager may limit the duty hours per week or day that may be used to study. Study time for other than a structured course should be reported using the appropriate training code with no CPE hours. For example, the monthly training report may indicate 202xS04, Self-Study/Professional Certification, two duty hours, no CPE hours.

Employees are limited to a total of 80 duty hours to study for a professional certification within a 12-month period. Also, employees may not spend more than 80 duty hours studying for any one professional examination. For example: In 2020, Jane spent 10 duty hours, each month from January through August, studying for the Certified Fraud Examination (CFE). She may not use additional duty hours to study for the CFE and may not use additional duty hours within the 12 months following August 2020 to study for other professional certifications.

Employees may be granted administrative leave for the day(s) of the professional examination. Administrative leave may not be granted for the days preceding or subsequent to the professional examination.

140.13   Rotation and Reassignment Policy.
The following rotation and reassignment policy applies to the voluntary transfer to another OA business unit or TIGTA functional area on a temporary (rotation) or permanent (reassignment) basis. Requests for rotation or reassignment to a different manager or directorate within the employee's assigned business unit will be handled informally by the business unit's AIGA.

Rotation Procedures

The OA rotation policy offers all employees the opportunity to rotate to a different OA business unit for a period of approximately one year or the length of an audit project to gain a broader breath of exposure to tax administration activities that occur outside their business unit. The goal of the rotation is to increase the employee's knowledge, skills and perspectives. The rotation may also help the employee gain experience that may benefit the employee when competing for future leadership positions.

To be eligible for rotation, the employee must be rated at least at the Successful level, cannot be presently operating under a performance improvement plan, and cannot have received a disciplinary or adverse action within the past rating period. Additionally, employees are not eligible to request a rotation to another business unit until the first year of employment and all OJT tasks are completed.

A *Request for Rotation/Reassignment Form* (available in the templates section of Microsoft Word) should be submitted through the employee's management chain (manager, Director, and AIGA), with a cc: to the AIGA, Management Planning and Workforce Development (MPW) for consideration and approval. The AIGA, MPW, will verify whether another unit has vacancies and coordinate with the respective AIGA and DIGA, if necessary, to effect the rotation. Employees may provide a business unit preference on the *Request for Rotation/Reassignment Form*; however, all requests will be considered based on availability, timing, and business needs of the organization at the time of the request. Preference will be given to employees who have not previously rotated during their tenure with OA.

To ensure the successful rotation of employees, it is important for the releasing manager and the acquiring manager to discuss the experience and goals of the employee being rotated. A *Rotation Checklist for Managers* provides information covering discussions with employees and administrative actions to be taken by releasing and acquiring managers. The Checklist can be found in the Templates section of Microsoft Word.

TIGTA personnel policy requires that when an employee changes managers within TIGTA, the working Employee Performance File and Drop File must be forwarded to the new manager. Depending on when in the appraisal year the employee rotates, either an interim rating or input for the employee's appraisal will be provided by the releasing manager to the acquiring manager. *(If a rotation starts on October 1 (the start of the fiscal year) or before the employee has performed 90 days in the appraisal year with the releasing manager, an interim rating is not required; however, input on performance should be provided to the acquiring manager)*.

It is important to note that the interests and skills of each employee are unique. While the final placement of an employee upon completion of the rotational period will generally be back to his or her initial business unit, the employee can express his or her preference for a permanent reassignment. In these situations, final placement will be decided by the AIGAs and DIGA, if necessary.

Reassignment Request Procedures

An employee may request a permanent reassignment to another OA business unit by completing a *Request for Rotation/Reassignment Form* and submitting the form to his or her manager. The template for this form can be found in the templates section of Microsoft Word.

A *Request for Rotation/Reassignment Form* should provide justification on how the reassignment will assist in the employee achieving his or her long-term career plans, including why a change to a different business unit would be more beneficial than a rotation. To be considered for reassignment, an employee must be rated at least at the Successful level, cannot be presently operating under a performance improvement plan, and cannot have received a disciplinary or adverse action within the past rating period. The Form should be submitted through the employee's management chain (manager, Director, and AIGA), with a cc: to the AIGA, MPW for consideration. The AIGA, MPW, will verify whether the requested unit has vacancies and coordinate with the respective AIGA, and DIGA, if necessary, to effect the reassignment.

All requests for reassignment will be considered based on the business needs of the organization at the time of the request. Factors to be considered are whether the reassignment will enable both business units to meet business needs and accomplish business goals, and the timing of the requested reassignment can be worked out to be mutually beneficial to both business units. The employee must note on the *Request for Rotation/Reassignment Form* only one business unit to which they are requesting to be reassigned.

140.14   Continuing Professional Education Requirements.
The GAGAS discusses CPE requirements and provides related guidance in paragraphs 4.16 through 4.53. Specifically, GAGAS 4.16 requires employees who plan, direct,

perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS to develop and maintain their professional competence by completing at least 80 hours of CPE in every 2-year period. As such, each auditor, information technology specialist, program analyst or evaluator directly involved in the planning, performing, directing or reporting on ongoing audits must complete:

- At least 24 hours in subjects directly related to the Government environment, Government auditing, or the specific or unique environment in which the audited entity operates. TIGTA designates this as type "G" training.

- An additional 56 hours in subjects that directly enhance the employee's professional expertise to conduct engagements.

GAGAS also requires that auditors and evaluators complete at least 20 hours of CPE in each year of the two-year period. OA's reporting period ends on September 30 of even-numbered fiscal years. CPE hours earned in excess of the minimums may not be carried over to the next two-year reporting period.

GAGAS also provides the following CPE guidance:

- CPE used to fulfill the 24-hour requirement may be taken at any time during the 2-year measurement period.

- The subject matter categories for the 24-hour requirement may be used to satisfy the 56-hour CPE requirement.

Employees hired or assigned to a GAGAS audit or attestation engagement after the beginning of the TIGTA two-year CPE period may complete a prorated number of CPE hours that is based on the number of full six-month intervals remaining in the CPE period. For example, TIGTA has a two-year CPE period running from October 1, 2018, through September 30, 2020. A new employee was assigned to a GAGAS audit in December 2018. The prorated CPE requirement for the employee is calculated as follows:

- Number of full six-month intervals remaining in the CPE period: 3.

- Number of six-month intervals in the full two-year period: 4.

- Newly assigned employee's CPE requirement: ¾ x 80 hours = 60 hours.

For newly hired auditors or evaluators who are subject to the 24-hour requirement, the number of hours is calculated in a similar manner: ¾ x 24 hours = 18 hours. The prorated number of hours would be the total requirement over the partial period. The

20-hour minimum for each CPE year does not apply when a prorated number of hours is being used to cover a partial two-year CPE period.

Employees who do not satisfy the CPE requirements within the two-year reporting period must fulfill the CPE deficiency within the **two months** immediately following the end of the two-year reporting period. (The same applies to employees who do not satisfy the 20 CPE hour per year requirement.) If the CPE requirements are not fulfilled within this time period, the employee cannot participate in audit work until those requirements are satisfied. The CPE hours completed to fulfill a deficiency in one period shall not be counted toward the CPE requirements for the next period.

The respective AIGA may grant a partial waiver of CPE requirements for audit staff who have had extended periods of absence or other extenuating circumstances during the two-year period. Acceptable reasons for granting waivers include absence due to:

- Maternity or paternity leave.

- Sabbaticals.

- Ill health.

- Military leave.

- Leave without pay absences.

- Extended family leave.

- Disasters.

If a partial waiver is granted, the respective AIGA must document in writing the reason for granting the waiver and the reduced CPE requirements (including an explanation of how the new CPE hour requirements were calculated). The methodology for calculating CPE requirements for new hires, explained above, should also be used for calculating reduced CPE requirements due to extended absence or extenuating circumstances. A copy of the documentation should be placed with the employee's training records, saved on the OA Training SharePoint site, and maintained for a period of five years. A separate copy should be provided to the OA Training Coordinator.

GAGAS paragraph 4.23 provides examples of subject matter directly related to the Government environment, Government auditing, or the specific or unique environment in which the audited entity operates. Examples include, but are not limited to, the following:

- GAGAS and related topics, such as internal control as addressed in GAGAS.

- Applicable American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards.

- Applicable auditing standards issued by the Institute of Internal Auditors, the Public Company Accounting and Oversight Board, the International Auditing and Assurance Standards Board, or other auditing standard-setting body.

- U.S. generally accepted accounting principles, or the applicable financial reporting framework being used, such as those issued by the Federal Accounting Standards Advisory Board, the Governmental Accounting Standards Board, or the Financial Accounting Standards Board.

- *Standards for Internal Control in the Federal Government.*

- Requirements for recipients of federal contracts or grants, such as Single Audits under the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

- Requirements for Federal, State, or local program audits.

- Relevant or applicable audit standards or guides, including those for information technology auditing and forensic auditing.

- Information technology auditing topics applicable to the government environment.

- Fraud topics applicable to a government environment.

- Statutory requirements, regulations, criteria, guidance, trends, risks, or topics relevant to the specific and unique environment in which the audited entity operates.

- Statutory requirements, regulations, criteria, guidance, trends, risks, or topics relevant to the subject matter of the engagement, such as scientific, medical, environmental, educational, or any other specialized subject matter.

- Topics directly related to the government environment, such as the nature of government (structures, financing, and operations), economic or other conditions and pressures facing governments, common government financial management issues, appropriations, measurement or evaluation of government financial or program performance, and application of general audit methodologies or techniques to a government environment or program.

- Specialized audit methodologies or analytical techniques, such as the use of complex survey instruments, actuarial estimates, statistical analysis tests, or statistical or non-statistical sampling.

- Performance auditing topics, such as obtaining evidence, professional skepticism, and other applicable audit skills.

- Government ethics and independence.

- Partnerships between governments, businesses, and citizens.

- Legislative policies and procedures.

- Topics related to fraud, waste, abuse, or improper payments affecting government entities.

- Compliance with laws and regulations.

Topics which do not fall into the Government environment, Government auditing, or the specific environment in which the IRS operates should be reported as type "O" training. These can include:

- General Ethics and Independence.
- Oral and Written Communication.
- Leadership.
- Managing Time and Resources.
- Accounting.
- Procurement.
- Program Performance.
- Audit Engagement Software.
- Human Capital Management.

Programs and Activities That Qualify for CPE Hours:
CPE programs are structured educational activities or programs with learning objectives designed to maintain or enhance the participant's competence to address engagement objectives and perform work in accordance with GAGAS. GAGAS paragraph 4.33 provides examples of structured educational programs. Qualifying activities can include:

Group programs, including:

- Internal training programs (*e.g.*, courses, seminars, and workshops).

- Education and development programs presented at conferences, conventions, meetings, seminars, and meetings or workshops of professional organizations.

- Training programs presented by other audit organizations, educational organizations, foundations, and associations.

- Web-based seminars.

- Audio conferences.

- Accredited university and college courses (credit and noncredit).

- Standard-setting organization, professional organization, or audit organization staff meetings when a structured educational program with learning objectives is presented (*i.e.,* the portion of the meeting that is a structured educational program with learning objectives designed to maintain or enhance competency.)

Individual study programs, including:

- E-learning programs, correspondence courses, individual-study guides, and workbooks.

Other professional activities, such as:

- Serving as a speaker, panelist, instructor, or discussion leader at programs that qualify for CPE hours.

- Developing or technical review of courses or the course materials for programs that qualify for CPE hours.

- Publishing articles and books that contribute directly to the author's professional proficiency to conduct engagements.

Other activities may qualify for CPE hours. The employee's manager should evaluate the activity and determine if the activity is consistent with the objectives of the OA training program and the GAGAS guidance. The manager may contact the OA Training Coordinator for guidance.

Programs and Activities That Do Not Qualify for CPE hours:

- On-the-job training.

- Basic or elementary courses in subjects or topics in which the employee already has the knowledge and skills being taught.

- Programs designed for general personal development, such as résumé writing, improving parent-child relations, personal investments and money management, and retirement planning.

- Retirement seminars.

- Programs that demonstrate office equipment or software that is not used in conducting audits.

- Programs that provide training on the audit organization's administrative operations.

- Business sessions at professional organization conferences, conventions, and meetings that do not have a structured educational program with learning objectives.

- Conducting external quality control reviews.

- Sitting for professional certification examinations.

Basic or elementary courses would be acceptable in cases where they are deemed necessary as "refresher" courses to enhance the auditors' proficiency to conduct audits and attestation engagements.

TIGTA-Identified Training Not Qualified for Continuing Professional Education Credit:

- TIGTA Mandatory training, such as:

    - Hatch Act.

    - Ethics training.

    - TIGTA's Authority.

    - Understanding I.R.C. Section 6103.

    - No Fear Act.

    - Hiring Reform/Employment of Veterans.

    - Merit System Principles, Prohibited Personnel Practices, and Whistleblower.

    - Uniformed Services Employment/Reemployment.

- Travel and purchase card training.

- Health and fitness courses.

- Telework training.

- Public Transportation Subsidy Program training.

140.14.1   <u>Determining Continuing Professional Education Hours for Training Courses</u>.
A CPE hour may be granted for each 50 minutes of participation in programs and
activities that qualify. One-half CPE hour increments (equal to 25 minutes) may also be
granted after the first CPE hour has been earned in a given program or activity. At
conferences and training classes in which the length of individual presentations or
sessions is other than 50 minutes, the sum of the time for the presentations or sessions
should be considered as one total program. For example, two 90-minute, two 50-
minute, and three 40-minute presentations equal 400 minutes or eight CPE hours.
When the total minutes of a presentation are more than 50, but not evenly divisible by
50, the CPE hours should be rounded down to the nearest one-half hour.

- <u>Group programs</u> – Participants should receive CPE hours only for the actual time
  they attend the program. Preparation time for students participating in a CPE
  program should be counted only if the CPE provider has designated a portion of
  the CPE program as individual study.

- <u>University or college credit courses</u> – Each unit of college credit under a
  semester system equals 15 CPE hours, and each unit of college credit under a
  quarter system equals 10 CPE hours.

  For university or college noncredit courses, CPE hours may be granted only for
  the actual classroom time.

- <u>Individual study programs</u> – For individual-study programs where successful
  completion is measured by a summary examination, CPE credit may be granted
  if the participant completes the examination with a passing grade. Participants in
  other individual-study programs may earn CPE hours when they satisfactorily
  complete the requirements of the self-study program.

  The number of CPE hours reported should be based on the CPE provider's
  recommended number of CPE hours for the program.

- <u>Speakers, instructors, and discussion leaders</u> – Speakers, instructors, and discussion leaders at programs that qualify for CPE and auditors who develop or write the course materials may receive CPE hours for preparation and presentation time to the extent the subject matter contributes to auditors' competence.   One CPE hour may be granted for each 50 minutes of presentation time. Up to 2 CPE hours may be granted for developing, writing, or advance preparation for each 50 minutes of the presentation. For example, a discussion leader could receive up to 21 CPE hours for a presentation of 350 minutes (seven hours for presentation and up to 14 hours for preparation). In this same example, an individual who develops or writes the course materials but does not participate in the presentation could receive up to 14 CPE hours.

  An individual may not receive CPE hours for preparation or presentation time for repeated presentations that he or she makes within the two-year period, unless the subject matter involved was changed significantly for each presentation.

  The maximum number of CPE hours that may be granted to an individual as a speaker, instructor, discussion leader or preparer of course materials may not exceed 40 hours for any two-year period.