

**CHAPTER 800 – INSPECTIONS AND EVALUATIONS**

**TABLE OF CONTENTS**

<b>(800) - 10</b>	<b><u><a href="#">Introduction</a></u></b>
10.1	<u><a href="#">Abbreviations and Acronyms</a></u>
10.2	<u><a href="#">Mission of the Office of Inspections and Evaluations</a></u>
10.3	<u><a href="#">Legislative Authority and Responsibility Relating to the Office of Inspections and Evaluations</a></u>
10.3.1	<u><a href="#">Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation</a></u>
10.3.2	<u><a href="#">Standards (summarized)</a></u>
<b>(800) - 20</b>	<b><u><a href="#">Nature of System</a></u></b>
20.1	<u><a href="#">Overview</a></u>
20.2	<u><a href="#">Deputy Inspector General for Inspections and Evaluations Memoranda</a></u>
20.3	<u><a href="#">Maintaining the Office of Inspections and Evaluations Manual</a></u>
<b>(800) - 30</b>	<b><u><a href="#">Responsibilities</a></u></b>
30.1	<u><a href="#">Management Responsibilities</a></u>
30.1.1	<u><a href="#">Deputy Inspector General for Inspections and Evaluations</a></u>
30.1.2	<u><a href="#">Directors</a></u>
30.1.3	<u><a href="#">Supervisory Evaluators</a></u>
30.1.4	<u><a href="#">Lead Evaluators</a></u>
30.2	<u><a href="#">Policy on Independence and Threats to Independence</a></u>
30.2.1	<u><a href="#">Threats to Independence</a></u>
30.2.2	<u><a href="#">Confidentiality</a></u>
30.3	<u><a href="#">Administrative Procedures</a></u>
<b>(800) - 40</b>	<b><u><a href="#">Services and Products</a></u></b>
40.1	<u><a href="#">Overview</a></u>
40.1.1	<u><a href="#">Internal Reviews</a></u>
40.1.2	<u><a href="#">Referrals to the Office of Investigations</a></u>
40.2	<u><a href="#">Office of Inspections and Evaluations Responsibilities Concerning Foreign Intelligence Activities</a></u>
40.3	<u><a href="#">Products for External Stakeholders</a></u>
<b>(800) - 50</b>	<b><u><a href="#">Strategic Planning</a></u></b>
50.1	<u><a href="#">Overview</a></u>
50.2	<u><a href="#">Planning Research and Justification</a></u>
50.2.1	<u><a href="#">Preliminary Research</a></u>
50.2.2	<u><a href="#">Proposal (optional)</a></u>

- (800) - 60**      **[Planning and Conducting Inspections and Evaluations](#)**
- 60.1      [Overview](#)
- 60.2      [Planning Inspections and Evaluations](#)
- 60.2.1      [Opening a Project](#)
- 60.2.2      [Project Plan](#)
- 60.2.3      [Engagement Letter](#)
- 60.2.4      [Opening Conference](#)
- 60.3      [Conducting Inspections and Evaluations \(Field Work\)](#)
- 60.3.1      [Collecting and Analyzing Data](#)
- 60.3.1.1      [Quantitative and Qualitative Information](#)
- 60.3.1.2      [Assessing the Reliability and Validity of Computer Processed Data](#)
- 60.3.1.3      [Sampling Techniques](#)
- 60.3.1.4      [Interviews](#)
- 60.3.1.5      [Photographs](#)
- 60.3.1.6      [Conducting Surveys](#)
- 60.3.1.7      [Evidence](#)
- 60.3.1.8      [Protecting Sensitive Information](#)
- 60.3.1.9      [Reporting on Compliance with Laws and Regulations and Certain  
Illegal Acts](#)
- 60.3.2      [Work Papers](#)
- 60.3.2.1      [Procedure Summary\(s\)](#)
- 60.3.2.2      [Project Log](#)
- 60.3.2.3      [Treasury Inspector General for Tax Administration Counsel Advice  
Findings](#)
- 60.3.3      [Recommendations](#)
- 60.3.3.1      [Discussion Draft Reports](#)
- 60.3.4      [Closing Conference](#)
- 60.3.5
  
- (800) – 70**      **[Reporting](#)**
- 70.1      [Report Writing Process](#)
- 70.2      [Draft Reports](#)
- 70.3      [Indexing and Referencing Reports](#)
- 70.4      [Report Response Period](#)
- 70.5      [Reports of Internal Treasury Inspector General for Tax  
Administrative Operations/Programs](#)
- 70.6      [Sensitive But Unclassified Designation](#)
  
- (800) - 80**      **[Final Reports](#)**
- 80.1      [Final Report Writing](#)
  
- 80.1.1      [Recommendations and the Joint Audit Management Enterprise  
System \(JAMES\)](#)
- 80.1.2      [Outcome Measures](#)
- 80.1.3      [Disclosure Review](#)

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

80.2	<a href="#">Press Release</a>
80.3	<a href="#">Work Paper Retention</a>
80.4	<a href="#">Input for the Semiannual Report</a>
80.5	<a href="#">Input for Congressional Testimony and Requests for Information from the Congress</a>
80.6	<a href="#">Reports of Internal Treasury Inspector General for Tax Administration Operations/Programs</a>
80.7	<a href="#">Follow-up Reviews</a>
80.7.1	<a href="#">Tracking Findings with Recommendations for Corrective Actions</a>
80.7.2	<a href="#">Decision Criteria and Follow Up</a>
80.7.3	<a href="#">Reporting</a>
<b>(800) - 90</b>	<b><a href="#">Time and Expense Reporting</a></b>
90.1	<a href="#">Responsibilities</a>
90.2	<a href="#">Time Reporting Codes</a>

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DATE: October 1, 2021

---

**CHAPTER 800 – INSPECTIONS AND EVALUATIONS**

**(800)-10 Introduction**

10.1 Abbreviations and Acronyms.

<b>ACRONYM</b>	<b>TITLE</b>
CFO	Chief Financial Officer
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DIGIE	Deputy Inspector General for Inspections and Evaluations
FMFIA	Federal Managers' Financial Integrity Act
GAO	Government Accountability Office
GPRA	Government Performance and Results Act
I&E	Office of Inspections and Evaluations
IRS	Internal Revenue Service
OA	Office of Audit
OI	Office of Investigations
OMB	Office of Management and Budget
OMP	Office of Management and Policy
PPAC	Planning, Program and Audit Coordination
SBU	Sensitive But Unclassified
TCMIS	Team Central Management Information System
TIGTA	Treasury Inspector General for Tax Administration

10.2 Mission of the Office of Inspections and Evaluations.

We identify opportunities for improvement in IRS and TIGTA programs by performing inspections and evaluations that report timely, useful and reliable information to decision makers and stakeholders.

This manual provides policies and procedures for Inspections and Evaluations (I&E) staff to effectively comply with the Quality Standards for Inspection and Evaluation as they plan, conduct, and report the results of inspections and evaluations. The procedures described in this manual are flexible to allow staff to adapt to special requirements and a rapidly changing environment. The procedures are not intended to be a substitute for professional judgment. If deviations are required, they should be discussed with executive management and documented. This manual applies to I&E staff, support staff, contractors, and detailees.

10.3 Legislative Authority and Responsibility Relating to the Office of Inspections and Evaluations.

I&E conducts inspections and evaluations of Internal Revenue Service (IRS) programs and operations in accordance with various statutory authorities and standards.

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

Statutory authorities that relate to TIGTA are included in TIGTA's Operations Manual Chapter (200)-10.5. Excerpts of these authorities that relate to I&E include:

- **Inspector General Act of 1978, 5 U.S.C. app. 3** (amended 2008). This Act requires Inspectors General 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 (RRA98), 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 RRA98 established specific mandatory review and reporting requirements for the TIGTA. These requirements are described in detail in **Chapter (300)-40** of TIGTA's Operations Manual.
- **Chief Financial Officers Act of 1990 (CFO Act), 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.)**. This Act placed responsibility on the Inspectors General 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 Results Act data, Federal Financial Management Improvement Act assurance, and Federal Managers' Financial Integrity Act assurance.

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DATE: October 1, 2021

---

- **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.).** This 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.** This 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 (GPRA), 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.
- **Government Performance and Results Modernization Act of 2010 (GPRAMA), Pub L. No 111-352, 124 Stat. 3873.** The GPRAMA amends GPRA to require Federal agencies to set clear performance goals that they can accurately measure and publicly report in a more transparent way. Among other things, the Act requires agency strategic plans to describe how agency performance goals and objectives will incorporate views and suggestions obtained through congressional consultations.
- **Federal Managers' Financial Integrity Act of 1982 (FMFIA), 31 U.S.C. §§ 1105, 1113, 3512 (2000).** This Act amends the Accounting and Auditing Act of 1950 and requires each executive Federal agency to establish

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DATE: October 1, 2021

---

and maintain internal accounting and administrative controls in accordance with standards prescribed by the Comptroller General of the United States.

- **OMB Circular A-123, revised July 2016.** This Circular implements the requirements of the FMFIA 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. A significant change in the circular is the requirement for agencies to do entity-wide risk assessments.
- **Treasury Order 115-01, Office of the Treasury Inspector General for Tax Administration.** This Treasury Order establishes that the TIGTA shall exercise all duties and responsibilities of an Inspector General with respect to the Department of the Treasury and the Secretary of the Treasury on all matters relating to the IRS.

10.3.1 Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation.

Inspections and evaluations are conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Inspection and Evaluation last updated in December 2020.

10.3.2 Standards (summarized).

Recognizing that each I&E function is unique with their missions tailored to their Department/Agency, the Standards are intentionally not overly prescriptive. They serve as the foundation for the policies and procedures documented in the remainder of this manual. There are currently seven standards that must be satisfied:

1. Independence - In all matters relating to inspection work, I&E and each individual inspector must be free both in fact and appearance from personal, external, and organizational impairments to independence. For each inspection, the assigned staff must document all known threats to independence or document that there are no known threats.
2. Competency - The staff assigned to perform inspection work must collectively possess adequate professional competency for the tasks required. The staff must complete a minimum of 40 hours of training every 2 years. If there are special circumstances, such as but not limited to, part-time employees or employees on extended leave, it may authorize an exemption to this requirement. I&E must track each staff member's completed training.

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

3. Planning - I&E must have a basis or rationale for the selection of inspection topics. Inspectors must coordinate proposed inspections with appropriate organizations as determined by I&E; research the operation, program, policy, or entity to be inspected; identify the criteria where applicable to the operation, program, policy, or entity being inspected, as appropriate, to meet the inspection objectives; and prepare a written inspection plan for each inspection that includes the objective(s), scope, and methodology.
4. Evidence Collection and Analysis - Inspectors must collect and analyze evidence consistent with inspection objectives and related to the operation, program, policy, or entity being inspected, and include relevant evidence collected and analysis performed in inspection documentation. Evidence must sufficiently and appropriately support inspection findings and provide a reasonable basis for conclusions. I&E must protect controlled unclassified information and classified information. If inspectors suspect fraud or other illegal acts, they must promptly present such information to their supervisors for review and possible referral to the appropriate investigative office.
5. Reporting - Inspectors must state the following in all inspection reports:
  - The objective(s), scope, and methodology of the inspection;
  - The inspection results, including findings, conclusions, and recommendations, as appropriate; and
  - The inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation.

Inspectors must base report findings, conclusions, and recommendations on the evidence collected and the analysis conducted during the inspection. Reports must include enough information to allow a reasonable person to sustain findings, conclusions, and recommendations. Any recommendations made in a report must be addressed to the appropriate officials who have the authority to act on them. Draft inspection reports that receive formal comments from management officials of the inspected entity on report findings, conclusions, and/or recommendations must include those comments, or a summary, in the final report. Inspection reports must be distributed to the appropriate officials responsible for acting on the findings and recommendations.

6. Follow-up - For each recommendation, I&E must solicit agreement or disagreement and planned corrective actions to the report recommendations from management officials in writing. I&E must monitor inspected entities' progress toward implementation of recommendations.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DATE: October 1, 2021

---

7. Quality Control – I&E must implement a system of quality control that provides reasonable assurance that I&E and its personnel follow the Blue Book when conducting inspections. I&E must provide supervision over the inspection work performed. Inspection organizations that are members of CIGIE must undergo an external peer review in accordance with CIGIE requirements. I&E must take action to ensure report users do not continue to rely on a distributed report that is later found to contain findings and conclusions that are not supported by sufficient and appropriate evidence or significant errors.

Each staff member is responsible for reviewing the Standards in their entirety. The Standards are maintained on the CIGIE website:

<https://www.ignet.gov/sites/default/files/files/QualityStandardsforInspectionandEvaluation-2020.pdf>

#### 10.3.3 Professional Judgment.

CIGIE's *Quality Standards for Inspection and Evaluation (December 2020)* define professional judgment as the use of the inspector's professional knowledge, skills, and abilities, in good faith and with integrity. Professional judgment includes exercising reasonable care and professional skepticism.

Professional judgment is included in application guidance under the standard of Competence as competence is defined as the knowledge, skills, and abilities necessary to make sound professional judgments. Moreover, the application guidance under the standard of Planning provides that inspectors should use professional judgment and comply with their respective organizations' policies and procedures to determine the form, content, and frequency of communication with those involved in the inspection. Also, professional judgment must be used during planning to determine suitable criteria that is relevant, reliable, objective, and within the context of the inspection and the relative importance of each of these characteristics. Further, when applying the standard of Evidence Collection and Analysis, Inspectors should use professional judgment in selecting the inspection methodology, determining the type and amount of evidence to be gathered, and choosing the tests and procedures to analyze evidence in order to address the inspection objectives; and in ensuring Inspectors follow TIGTA's organization's policies and procedures on documenting evidence and analysis and any limitations to the evidence and analysis. Furthermore, Inspectors should use professional judgment on methods to analyze and interpret evidence to assess its sufficiency; to determine the sufficiency of evidence to reach conclusions; in determining whether evidence is sufficiently relevant, valid, and reliable; and, in considerations of fraud and other illegal acts to ensure they do not interfere with potential investigations or legal proceedings.

## CHAPTER 800 – INSPECTIONS AND EVALUATIONS

### (800)-30 Responsibilities

#### 30.1 Management Responsibilities.

The responsibilities in this section are high-level expectations of the various management positions in the Office of Inspections and Evaluations (I&E).

30.1.1 Deputy Inspector General for Inspections and Evaluations. The Deputy Inspector General for Inspections and Evaluations (DIGIE) is the senior executive responsible for the leadership and strategic direction of the I&E program. These responsibilities include creating the vision for the program, establishing the organizational design, and providing the ongoing program management of I&E operations. Furthermore, the DIGIE is the principal advisor to the Inspector General in matters pertaining to I&E operations and responsibilities. The DIGIE is responsible for:

- Planning and overseeing a program that provides for independent inspections and evaluations of the operations of the Internal Revenue Service (IRS) and related entities.
- Performing external liaison activities with high-ranking officials both inside and outside government to publically represent and promote I&E products and services, and share best practices.
- Developing and monitoring the execution of the I&E budget, and developing a system of internal controls to ensure assets are protected from fraud, waste, abuse, and misuse.
- Formulating and maintaining policies, procedures, and program guidelines; developing and maintaining the management information system; and producing management information reports for use by Treasury Inspector General for Tax Administration (TIGTA) managers.
- Developing and maintaining the professional skills of personnel.
- Supervising the directors and staff advisor.

#### 30.1.2 Directors.

The directors report to the DIGIE and are responsible for providing tactical management for identifying IRS program risks, providing oversight for conducting inspections/evaluations, and assuring that projects are completed in accordance with governing standards. Currently, one director is responsible for inspections and evaluations of IRS organizational program areas.

The directors are the second-level managers responsible for assisting the DIGIE in executing his/her responsibilities. This assistance includes strategic planning, project management, employee training and development, and program administration

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

activities such as subordinate leave administration, travel administration, performance feedback, facilities management, and workplace safety. Directors oversee one or more inspections (or other assignments) including planning, conducting, and report writing. Directors ensure that all I&E operations conform to applicable TIGTA and Council of the Inspectors General on Integrity and Efficiency (CIGIE) standards, policies, and procedures.

**30.1.3 Supervisory Evaluators.**

Supervisory evaluators<sup>1</sup> report to the directors and are responsible for planning, conducting, and writing reports for the I&E. They supervise assigned staff and manage the day-to-day project activities and ensure projects meet all TIGTA and CIGIE quality standards.

In addition to leading or participating in inspections/evaluations, supervisory evaluators will act as coaches to train and develop subordinate staff. Further, supervisory evaluators are responsible for administrative personnel matters for direct report employees, such as time keeping, performance evaluation, and training.

**30.1.4 Lead Evaluators.**

Lead evaluators<sup>2</sup> are responsible for the execution of the inspections and evaluations assigned to them.

**30.2 Policy on Independence and Threats to Independence.**

**30.2.1 Threats to Independence.**

The independence requirements apply to anyone performing or supervising inspection work, to include anyone that may directly influence the outcome of the inspection. Inspectors and I&E should maintain their independence throughout the inspection so that opinions, findings, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by reasonable and informed third parties. I&E and inspectors should be alert to possible threats to independence and should avoid situations that could lead a reasonable and informed person to conclude that I&E or inspectors are not independent and, thus, are not capable of exercising objective and impartial judgment in conducting and reporting on an inspection.

Inspectors should follow I&E's policies and procedures on how to document threats to independence and safeguards applied to the inspection. Specifically, I&E's policies and procedures explain how the inspection organization evaluates the significance of threats

---

<sup>1</sup> First line supervisors in I&E can be either Supervisory Auditors (511 job series) or Supervisory evaluators (343 job series); however, for the purposes of this document, they are referred to as Supervisor Evaluators.

<sup>2</sup> Inspection and Evaluation Leads can be a number of different job series including auditors (511 job series), evaluators (343 job series), attorneys (0905), or IT auditors (2210); however, for the purposes of this document, they are referred to as Lead Evaluators.

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

to independence, how to document safeguards if a significant threat to independence exists, and how to document that no threats to independence exist.

I&E and inspectors should assess possible threats to independence and the significance of threats identified and apply safeguards, as necessary, to eliminate threats or reduce them to an acceptable level. Possible threats include:

- Self-interest threats;
- Bias threats;
- Familiarity threats;
- Undue influence threat;
- Structural threat; and
- Management participation threat.

See the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Inspection and Evaluation (December 2020)* for more information regarding the threats listed

<https://www.ignet.gov/sites/default/files/files/QualityStandardsforInspectionandEvaluation-2020.pdf>.

Ensuring independence and mitigating possible threats to independence should be treated as a continuous process. I&E and inspectors should always be alert to changes in facts and circumstances that might impact independence and, if needed, take action to eliminate threats to independence or reduce them to an acceptable level.

I&E staff are responsible for notifying their immediate and second-level supervisors if they have any concerns about a real or potential personal threats to independence.

At the beginning of each fiscal year, or within 30 days of assignment to I&E, each I&E staff member, GS-15 and below, must acknowledge understanding of his/her obligation to be free from personal threats to his/her independence. Each must document his or her acknowledgement to report a current or future independence impediment by completing the *Personal Impairment Certification* form supplied by the supervisory evaluator or staff advisor. The employee's supervisory evaluator or staff advisor will ensure that the annual *Personal Impairment Certification* form is placed in the appropriate I&E administrative folder on the I&E SharePoint site. This form should be retained for five fiscal years.

If an I&E supervisor, auditor, or program analyst believes there is an organizational impairment that could affect his/her inspection or evaluation, they should report the matter as previously described.

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

Once any impairment issues are brought to the attention of the Directors and DIGIE, they are responsible for attempting to resolve the issue(s). If they are not successful, the DIGIE is responsible for elevating the issue(s) to the Principle Deputy Inspector General and/or the Inspector General.

**30.2.2 Confidentiality.**

All staff must 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, evaluation, inspection, 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.

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, evaluation, inspection, investigation, or other work be safeguarded from disclosure.

Tax returns and 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.

Information obtained from other Federal agencies/organizations that has been designated as *sensitive but unclassified* (SBU) or similarly designated (for example Official Use Only or For Official Use Only) must be properly marked and protected from unauthorized access and disclosure. Access to SBU information is restricted to only those with a need to access the information to perform or assist in a lawful, authorized job function. (Refer to the Treasury Security Manual TD P 15-71 Chapter III Section 23)

**30.3 Administrative Procedures.**

I&E follows established TIGTA processes and procedures documented in TIGTA's Operations Manual (Chapters 100 through 800) and approved memoranda. The application of these to I&E staff as well as supplementation instructions are described in the I&E Handbook.

## CHAPTER 800 – INSPECTIONS AND EVALUATIONS

### (800)-40 Services and Products

#### 40.1 Overview.

For the Office of Inspections and Evaluations (I&E) to be effective, its work must be timely and relevant. It must always be prepared to address significant emerging issues. I&E staff should know what significant issues are of current importance to the Inspector General, the Internal Revenue Service (IRS), Congress, and the general public.

When conducting the inspection/evaluation, I&E staff must keep in mind that they are involved in highly visible activities that will receive rigorous scrutiny. Therefore, they should always focus on the sophistication of the review and remain aware of these points:

- Direct the message of the inspection/evaluation to the appropriate recipient and support it with the appropriate use of evidence.
- Do not assume that the reader has knowledge of the subject – explain and describe processes and procedures, as needed, using common language.
- Establish the context (*e.g.*, legal foundation, data sources, budget size, staffing, taxpayers affected, employees served, processes and procedures, *etc.*) of the subject under review.
- Consider for each finding: condition, criteria, cause, effect, and recommendation if warranted.
- Present facts, findings, and conclusions, in a clear, concise, and consistent manner.
- Use the data collected as a springboard to gain new insights into the issue. Do not just report data. “Repackage” data to create “new” information about performance, outcomes, and ways to improve processes.

#### 40.1.1 Internal reviews.

I&E may conduct internal reviews of other Treasury Inspector General for Tax Administration (TIGTA) operations. The results will be reported using a modified report template that differs from the template used for reports issued beyond the TIGTA. Project templates are available in the I&E SharePoint I&E Projects, I&E Projects tab; Project Templates library (**see also Chapter (800)-70.5, Reports of Internal Treasury Inspector General for Tax Administration Operations/Programs**).

#### 40.1.2 Referrals to the Office of Investigations.

Evaluators should evaluate all potential integrity breaches, whether they are made by IRS employees or non-IRS persons, for possible referral to the Office of Investigations (OI).

**DATE: October 1, 2021**

---

Evaluators should immediately discuss possible integrity breaches with their supervisory evaluator. Supervisory evaluators, in conjunction with their director, decide whether a referral is warranted. The supervisory evaluator or director will meet with the appropriate Special Agent-in-Charge to discuss any referred breaches. The appropriate Special Agent-in-Charge will evaluate the referral and determine if an investigation is warranted. Refer to the I&E Handbook for additional details.

**40.2 Office of Inspections and Evaluations 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.

**40.3 Products for External Stakeholders.**

As appropriate, I&E will issue briefings, discussion draft, draft and formal reports of inspections and evaluations, and other material in accordance with the CIGIE standards. Refer to the I&E Handbook for additional details and procedures pertaining to report preparation, review, and distribution.

## CHAPTER 800 – INSPECTIONS AND EVALUATIONS

### (800)-50 Annual Planning

#### 50.1 Overview.

The purpose of the Office of Inspections and Evaluation (I&E) strategic planning process is to systematically establish review priorities, identify and select inspections and evaluations consistent with those priorities, and to allocate the staff resources necessary to conduct the selected projects. Throughout the year, the Deputy Inspector General for Inspections and Evaluations (DIGIE) interacts with the other Treasury Inspector General for Tax Administration (TIGTA) executives to decide TIGTA's organizational priorities. The I&E directors provide input to the DIGIE on issues identified during reviews and the directors' interactions with Internal Revenue Service (IRS) personnel and stakeholders.

The I&E and the Office of Audit (OA) reviews can cover the same IRS activities; however, 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 or duplicate efforts resulting in the inefficient use of resources. Coordination activities include:

- The DIGIE will share draft plans with TIGTA Chief Counsel, Office of Investigations (OI), and OA.
- As possible review topics are identified, I&E staff should check to identify any Government Accountability Office (GAO) reports or testimony related to the topic.
- I&E will include the Deputy Inspector General for Audit (DIGA) as a recipient of engagement letters and the DIGA will be included in the draft report Appendix III, Report Distribution List.

I&E will participate in the Integrity Working group to identify areas or programs which may be subject to employee, contractor, or taxpayer abuse, and coordinate review coverage among OA, OI, and I&E.

#### 50.2 Planning Research and Justification.

##### 50.2.1 Planning Considerations

When developing potential projects, staff should consider how a topic relates to the Treasury Strategic Plan, the IRS Strategic Plan, the annual Major Management Challenges facing the IRS (as determined by TIGTA), any high-risk areas impacting the IRS (as reported by the GAO), and enterprise risks identified by the IRS Enterprise Risk Management Officer. Further consideration should also be given to Congressional interest in an area, and whether IRS planned corrective actions related to prior I&E



reports warrant a follow-up review (See **Chapter (800)-80.7**, *Follow-up Reviews*). Additionally, the significance of the topic, potential outcome(s) and prior coverage (or lack thereof) by TIGTA, GAO or other independent reviewers should also be considered when proposing topics/programs for review.

#### 50.2.2 Preliminary Research.

The idea for a project can result in additional limited research. I&E staff can contact IRS personnel when performing research for planning purposes. The supervisory evaluator assigned the project will send an e-mail to the Audit Coordination mailbox to notify the IRS that I&E is starting background research. Refer to the I&E Handbook for additional details.

#### 50.2.3 Proposal (optional).

At the discretion of the evaluator, if he or she recognizes an issue that should be considered for an inspection or evaluation, a project proposal (template: proposal) is prepared and forwarded to the supervisory evaluator. The supervisory evaluator reviews the proposal, and forwards it to the director, if applicable. The director reviews the proposal, and, if appropriate, discusses the proposal with DIGIE for possible inclusion in I&E's annual program plan. If a decision is made to initiate a review, the proposal document is added to the project file.

DATE: October 1, 2021

---

## CHAPTER 800 – INSPECTIONS AND EVALUATIONS

### (800)-60 Planning and Conducting Inspections and Evaluations

#### 60.1 Overview.

An inspection or evaluation is considered to be in the planning phase until the engagement letter is issued. After that, the inspection or evaluation moves to the field work phase until the draft report is forwarded to the Office of Management and Policy (OMP), within the Office of Audit, for review. After that point, the inspection or evaluation is in the report writing phase.

Inspections and Evaluations (I&E) plans and conducts most of its work under the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Inspection and Evaluation (December 2020)*. As used throughout these Standards, the term “inspection” includes evaluations, inquiries, and similar types of reviews that do not constitute an audit or a criminal investigation. All I&E staff are required to have a thorough working knowledge of the Standards. Refer to <https://www.ignet.gov/sites/default/files/files/QualityStandardsforInspectionandEvaluation-2020.pdf>

Document templates and document naming conventions are available in the I&E SharePoint I&E Projects, Project Templates library. Refer to the *OIE Report Format Handbook* (available in the I&E SharePoint, I&E Projects Guidance Library), and the *Treasury Inspector General for Tax Administration (TIGTA) Writing and Style Guide* (available on the TIGTA intranet, Communications) when preparing documents.

Detailed instructions for distributing documents to the Internal Revenue Service (IRS) and within TIGTA are available on the I&E SharePoint site.

#### 60.2 Planning Inspections and Evaluations.

##### 60.2.1 Opening a Project.

Once the decision has been made to open a project, the supervisory evaluator or director will contact the staff advisor and request a project be established in TeamMate and the appropriate supporting systems. The staff advisor will obtain approval from the Deputy Inspector General for Inspections and Evaluations (DIGIE) prior to creating the TeamMate project.

The director, in consultation with the supervisory evaluator, determines the staffing for a project. There are many factors to consider in making the decision about project staffing. These include whether the staff has the requisite knowledge and skills to perform the assignment, whether the work can be divided between staff, the scope of

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

the work, and the required time frames for completion. Refer to the I&E Handbook for specific instructions to obtain a project number and Teammate file.

**DATE: October 1, 2021**

---

#### 60.2.2 Project Plan.

Inspection or evaluation planning plays a key role in I&E's ability to produce excellent reports that make a difference. The plans must provide a convincing rationale for the evaluation topic, approach, and timeline. They must set forth a readily apparent structure that provides a logical flow from the objectives to the issues to the analysis plan. A plan must serve the team throughout the inspection or evaluation process by clearly documenting what needs to be accomplished to complete the inspection or evaluation. And, fundamentally, plans must provide their readers with the framework for the resulting report.

I&E uses a planning template that can be customized to meet the needs of individual inspections and evaluations. The customization of the planning document is dependent on the objective(s) and scope of the engagement. The template for this document is included with the I&E guidance documents templates. Details about the template and information that must be included in the plan are contained in the I&E Evaluation Planning Handbook. When applicable, an important aspect of this process is to coordinate with the Office of Investigations (OI) or the Office of Audit (OA). Documentation of any such coordination should be noted in the project log.

The project plan is prepared by the team in collaboration with the supervisory evaluator and the director. In turn, the supervisory evaluator and the director sign the plan and forward it for review, approval, and signature by the DIGIE. In many cases, as more information is gathered, the plan may need to be updated to reflect the new information. Changes to the project plan go through the same review, approval, and signature process as the original plan.

#### 60.2.3 Engagement Letter.

The engagement letter (template: Engagement Letter Template) communicates the objective, scope, and estimated completion dates of the project to IRS management. It is written for an executive audience and must convey essential information in a summary format. The letter is usually prepared by the lead evaluator and routed through the supervisory evaluator and the director. It is then proofread by the staff advisor before being signed by the DIGIE.

#### 60.2.4 Opening Conference.

The purpose of an opening conference is to inform the appropriate IRS senior executive(s) or designee, of the review objectives, to solicit opinions and concerns, and to begin working on expected outcomes and commitments to take corrective actions. The director or supervisory evaluator will coordinate an opening conference with the lead IRS stakeholder.

The opening conference sets the tone for the inspection/evaluation. Therefore, it is important to be well prepared. Provide IRS managers with sufficient information so that they fully understand the intent and scope of the inspection/evaluation and can identify

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DATE: October 1, 2021

---

appropriate sources of information needed by the evaluators, and elicit additional suggestions of areas in which the inspection/evaluation could be helpful to the program or entity managers.

60.3 Conducting Inspections and Evaluations (Field Work).

60.3.1 Collecting and Analyzing Data.

60.3.1.1 Quantitative and Qualitative Information.

Quantitative information consists of numbers, statistics, and other reported facts. Sources of quantitative information include official program performance reports, budget and finance documents, and *ad hoc* system performance data. Qualitative information is descriptive in nature. Examples include interviews, observations, document analysis, case studies/life histories, and descriptive studies.

The inspection/evaluation will most often use a combination of quantitative and qualitative information. Using a combination of information types is often necessary because of time, resource, and data availability limitations imposed on the review. Refer to the I&E Handbook for additional details on qualitative and quantitative information.

60.3.1.2. Assessing the Reliability and Validity of Computer Processed Data.

The Quality Standards for Inspection and Evaluation Data Analysis and Collection Standards require:

*The methodologies used to gather and analyze evidence should ensure that the information obtained is sufficient and appropriate to meet inspection objectives. Inspectors should use professional judgment and comply with the inspection organization's policies and procedures on documenting evidence and analysis and any limitations to the evidence and analysis. Inspectors should use professional judgment in determining whether evidence is sufficiently relevant, valid, and reliable.*

The Government Accountability Office guide, *Assessing Data Reliability* (GAO-20-283G), is the principal authority on meeting this standard. The guide provides a flexible, risk-based framework for data reliability assessments that can be geared to the specific circumstances of each engagement. The framework relies on making use of existing information about the data, maximizing professional judgment, and involving the appropriate people, including management and stakeholders, in key decisions.

Data reliability will be assessed if the data to be analyzed are intended to materially support findings, conclusions, or recommendations. Data reliability assessments are needed even when the report includes only a description of a condition; a finding does not need to be evaluative in order for data to be material. In addition, data material to a finding can include record-level data, summary or aggregate data, and estimates or projections based on data. Whether data are material to a finding is a decision made

DATE: October 1, 2021

---

for each engagement and based on the professional judgment of the audit team, including technical specialists. The decision process for the need to assess data reliability and the assessment(s), if required, will be documented in the work papers and in the report.

#### 60.3.1.3 Sampling Techniques.

For inspections or evaluations that involve sampling, it is highly recommended that the team consult with TIGTA's contracted statistician during planning to ensure the sampling methodology will meet the review objectives and conforms to CIGIE standards. Depending on the complexity of the objectives and population, the statistician may assist in the design of the sampling plan or, if the review 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 a review. 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.

Evaluators 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. Additionally, evaluators must always consider how the sampled items can be used to effectively measure review outcomes to meet the objectives of the review. 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 evaluator 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 convenience 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.

**DATE: October 1, 2021**

---

Refer to the TIGTA OA Manual Chapter 300-80.4 for additional details.

#### 60.3.1.4 Interviews.

The best sources for certain types of information about most programs are the people who operate them, people who are served by them, and people who have previously examined them. Written records are excellent sources for documenting inspection/evaluations, but there is no substitute for the information and insight that can be gained during an interview. When conducting an interview, ensure that (1) all relevant issues are discussed with the interviewees; and, (2) all relevant information received from interviews is recorded for later analysis. Normally, interviews should not last more than one to two hours. Sometimes two or more interviews with the same person may be necessary to adequately address all of the issues. I&E staff should give considerable thought and effort into planning the interview. Refer to the I&E Handbook for additional details about interviews.

#### 60.3.1.5 Photographs.

Depending on the project (often applicable to inspections), photographs can be an excellent method to document the physical conditions observed by the team. The axiom that a picture is worth a thousand words, holds true in our work. Evaluators must ensure they accurately record the date, time, and place the photographs were taken. If appropriate, they should also consider capturing some type of scale within the photo to make the photo more meaningful to the viewer. Review Treasury (TD-P 85-01) and IRS policy (Use of Webcams & Phones). I&E evaluators are required to fully adhere to all disclosure statutes, regulations, and guidelines.

#### 60.3.1.6 Conducting Surveys.

In some instances a confirmation program or other form of survey may be needed. Surveys are often complex and require a significant amount of time to properly develop a sound survey instrument and appropriate sampling methodology to allow survey results to be projected to the survey population. While surveys conducted by Inspectors General no longer require the Office of Management and Budget (OMB) review and approval in advance, allow sufficient time to consult with both the TIGTA contract statistician and a survey design consultant if needed.

#### 60.3.1.7 Evidence

Irrespective of the techniques used, the team collectively is responsible for gathering and analyzing sufficient and appropriate evidence to meet the objectives of the evaluation/inspection. Evidence is sufficient when it persuades a knowledgeable person that the findings are valid. Competent evidence should be reliable, and within the constraint of the review resources, obtained from independent sources or systems with reliable internal controls or through direct examination. Relevant evidence has a logical relationship to the topic, and is used to prove or disprove an issue germane to the evaluation. Refer to the I&E Handbook for additional details on evidence

DATE: October 1, 2021

---

60.3.1.8 Protecting Sensitive Information.

Sensitive information and documents must not be disclosed, except to those permitted on a need to know basis in accordance with the Privacy Act and the Internal Revenue Code Section 6103. This includes Law Enforcement Manual or other sensitive information as well as personally identifiable information (PII), whether sensitive information of a taxpayer, tax return or return information of a taxpayer, or information that a taxpayer could identify as referring to himself or herself, and grand jury records. Even within I&E sensitive information may only be shared among the staff actually assigned to a specific review with the appropriate need to know.

Refer to TIGTA's Operations Manual **Chapter (500)-140.4**, *Sensitive Information Protection Policy*, and **Chapter (700)-40**, *Confidentiality of Information Received Under the Inspector General Act*; Internal Revenue Code Section 6103; Freedom of Information Act; and, Privacy Act for more information on security guidelines for the proper classification and protection of information that should not be disclosed outside of TIGTA without proper authorization.

60.3.1.9 Reporting on Compliance with Laws and Regulations and Certain Illegal Acts.

I&E evaluators should report all significant instances of noncompliance and abuse discovered during an inspection or evaluation. Any potentially illegal acts should be discussed with the supervisory evaluator and routed through the director to the DIGIE.

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. I&E evaluators should report significant instances of noncompliance in perspective. The instances of noncompliance should be related to the universe of the number of cases examined and quantified in dollar terms, if applicable.

A court of law is the final determination if fraud or an illegal act has occurred; therefore, the staff should take care to conclude that illegal acts likely occurred and not imply in the report that they have made a legal determination. Reports that include potential issues relating to noncompliance/illegal acts should be reviewed by personnel in the TIGTA Office of Chief Counsel, prior to any report being issued to the IRS, to ensure the conclusions reached are accurate and the issues properly presented. The Office of Chief Counsel can be contacted by sending an e-mail to \*TIGTA Counsel Office.

If I&E staff communicate noncompliance in a memorandum to IRS management, they should refer to that memorandum in the inspection/evaluation report. Work papers should document all communications to the IRS about noncompliance.

When I&E management conclude that an illegal act has likely occurred, a referral to the TIGTA OI will be prepared. The OI will also be asked to determine if reporting certain



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

information about the illegal act would compromise investigative or legal proceedings. I&E staff should limit their reporting to matters that would not compromise these proceedings, such as information that is already part of the public record.

60.3.2 Work Papers.

Relevant documents must be saved as work papers in TeamMate. Documents must include their purpose, source, preparer's name, and the date the document was created. TeamMate automatically captures the document's preparer and the date the document was created when documents are loaded. The remaining items can be readily added to a Word or Excel document and a Sticky Note or text box can be added to an Adobe Acrobat PDF.

Paper documents should be scanned, labeled, and placed in TeamMate unless too large or voluminous to be practical. Any paper work papers must also be appropriately labeled and numbered to allow for indexing. If circumstances require the use of paper work papers, a document should be created in TeamMate which provides a list or high level description of information available in the paper files and information about where the paper files are located.

A link to a large database (SAS, Access) can be used rather than to attempt to place the database in TeamMate.

The supervisor or designated senior staff should review relevant workpapers as timely as possible after the workpapers are designated as ready for review. The supervisor or designated alternate must review the supporting work papers indexed in the draft report before the referencing process can begin. Evidence of this review can be documented in the workpapers or through the use of the signoff feature in TeamMate. Should any supporting workpapers be modified during this process, or if additional supporting material is indexed in the report, these must also be reviewed and the review must be documented.

Work papers include the following documents:

1. Project log.
2. Project justification (*if applicable*).
3. Project initiation document.
4. E-mail to IRS Audit Coordination staff and Liaison notifying them I&E is starting background research (*if applicable*).
5. Engagement letter.
6. Detailed project plan.

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DATE: October 1, 2021

- 
7. For each external project, documentation of each inspector's assessment of known threats to independence or a statement that there are no known threats.

Note: at the beginning of each fiscal year, or within 30 days of assignment to I&E, each I&E staff member GS-15 and below acknowledges his/her obligation to be free from personal threats to independence by completing a *Personal Impairment Certification*. These forms are separate from the independence documentation required above for each external project and are maintained in the appropriate I&E administrative folder on the I&E SharePoint site (**see Chapter (800)-30.2.1, Threats to Independence**, for more information).

8. The evidence developed (*i.e.* if applicable *data files, data validation and query logic, memos of discussion, memo of facts etc.*) needed to support the work completed and conclusions reported.
9. Indexed Discussion draft report (including integrated Highlights page).
10. Referenced draft report (including integrated Highlights page).
11. Outcome measures summary, if applicable.
12. Issued draft report.
13. IRS response.
14. TIGTA disclosure checklist. (If needed a marked copy of the final report showing proposed redactions and basis for the redactions.)
15. Issued final report.
16. Joint Audit Management Enterprise System: Corrective Action Form (JAMES CAF), if the report contains recommendations.
17. Press release (*if applicable*).
18. Converted documents posted to intra- and Internet sites.

#### 60.3.2.1 Procedure Summary(s).

The evaluators assigned to an evaluation generally should create a procedure summary documenting the work conducted and the results observed for each objective or major sub-objective included in the approved project plan. The summary should be indexed back to the work that best supports the statements of fact in the summary.

Each summary must be reviewed by the supervisory evaluator responsible for the project. The supervisory evaluator will evaluate the information for accuracy, sufficiency, relevancy, and adherence to CIGIE and I&E standards. The supervisory evaluator will document his/her review in TeamMate.

#### 60.3.2.2 Project Log.

A project log will be used to capture significant events (*e.g. delays, contacts, progress discussions etc.*) and is maintained in the project's files. A designee will be responsible for maintaining the project log. Refer to the I&E Handbook for additional details.

#### 60.3.2.3 Treasury Inspector General for Tax Administration Counsel Advice.

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

Legal advice to I&E staff is not be included in project 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.

I&E supervisory evaluators are required to maintain a “Legal Advice/Opinion” file. This file can be in either electronic or paper form but must be maintained outside of the official workpaper files. Also, the project log should contain a notation that legal advice was obtained and identify where the advice (email, memorandum, *etc.*) is maintained.

### 60.3.3 Findings.

A finding is a summary of facts collected to answer the analytical questions. Findings should be supported by sufficient, competent, and relevant evidence. The type of question largely determines the type of evidence collected. The finding may be negative (in need of correction) or positive (a best practice) but findings are the factual basis for recommendations. Be certain that the analytical questions are answered and that they are clearly tied to the objectives.

Findings normally contain four elements – condition, criteria, cause, and effect. While most often it is best to develop all four elements for a finding, keep in mind that not all analytical questions always require all four elements. For example, an inspection/evaluation objective could be to determine the current status of program operations or progress in implementing legislative requirements, and not the related cause or effect. In this situation, developing the condition would address the objective and development of the other elements of a finding would not be necessary.

- Condition - “what is”- describes the situation that exists or circumstances that have been observed and documented during the inspection/evaluation. At a minimum, all reports should include a description of condition. For a descriptive finding, only this element is needed.
- Criteria – “what should be” – is the standard used to determine whether a program meets or exceeds expectations. Criteria provide context and should be reasonable, attainable, and relevant. Criteria are often found in laws, regulations, policies, written procedures, or accepted standards or practices. In certain cases, criteria may not be well established and the team should develop acceptable criteria by assessing the appropriateness and feasibility that would be convincing to a reasonable person.
- Cause – “why” – is the reason something did or did not happen. It is the underlying reason or reasons things are not working as expected.
- Effect – “so what” – is the actual or potential consequences of a condition that varies from the criteria. The effect part of a finding should describe the extent to which a component has caused changes in physical, social, or economic conditions and also identify and attribute a positive or negative change in the

**DATE: October 1, 2021**

---

condition as a result of component involvement. Often, the evidence collected will point to a potential negative effect, rather than the actual presence of such an effect.

#### 60.3.3.1 Recommendations.

Recommendations should be well-founded and add value. They should address the causes of problems and/or weaknesses. However, they should be phrased in such a way that avoids truisms or simply inverting the conclusions, and they should not encroach on the management's responsibilities. It should be clear who and what is addressed by each recommendation, who is responsible for taking any initiative and what the recommendations mean – i.e., how they will contribute to better performance. Recommendations should be practical and be addressed to the entities which have responsibility for implementing them.

Recommendations should be clear and presented in a logical and reasoned fashion. They should be linked to the objectives, findings, and conclusions. Together with the full text of the report, they should convince the reader that they are likely to significantly improve the conduct of government operations and programs, e.g. by lowering costs and simplifying administration, enhancing the quality and volume of services, or improving effectiveness. Effective recommendations should be:

- Explained in the narrative body of the inspection/evaluation report;
- Limited in scope to the information derived from the inspection/evaluation;
- Practical and achievable;
- Crafted in a manner that lays out what needs to be corrected or achieved;
- Written in such a manner that evidence of implementation is verifiable;
- Stated in simple language that is unambiguous; and
- Short, concise, and should not repeat or summarize findings.

#### 60.3.4 Discussion Draft Reports.

Discussion draft reports are written to facilitate explaining the project results and obtaining management's agreement to the facts contained in the document. The discussion draft report should contain the Highlights page. The discussion draft is usually prepared by the lead evaluators and routed through the supervisory evaluator and the director. It is then proofread by the staff advisor before being signed by the DIGIE.

The discussion draft report will be indexed prior to issuance. The discussion draft report usually will not be referenced. However, a director can require referencing of a discussion draft report to the extent they deem necessary. The decision to do so is based on the determination of risk.

Once approved by the DIGIE, the staff advisor will issue the report to the IRS (, and retain a copy in the project file. The team will convert the discussion draft to a draft

**DATE: October 1, 2021**

---

report and the staff advisor will forward the report to the OA OMP function for review. See **Chapter (800)-60.1**, *Overview*.

#### 60.3.5 Closing Conference.

Before the draft report is prepared, a closing conference will be held with IRS management to verify that information gathered is accurate and gain management's perspective on the issues and any outcome measures. It is our general practice to issue the discussion draft report to the IRS before the closing conference. The closing conference is usually held with the IRS Executive designated as the lead by the IRS Audit Coordination office. Notify the DIGIE and the director of the meetings in advance.

At the closing conference, the supervisory evaluator should make clear that the purpose of the conference is not for negotiating the report or its contents. The supervisory evaluator should make clear that TIGTA welcomes correction of any factual or technical issues and will consider any additional relevant information that may have been overlooked. The supervisory evaluator should emphasize the requirement that the IRS component conduct a thorough sensitivity review of the report to determine if there is any information that should not be released to the general public and submit, in writing and electronically, specific information that is of concern and the reasons why such information should not be released.

The supervisory evaluator should make a brief oral presentation covering the inspection/evaluation highlights, allowing most of the time to respond to the questions from IRS managers and to receive additional information from them. The supervisory evaluator should designate an evaluator as the primary note taker to record the discussions. The presentation may include a brief discussion of: purpose, scope and methodology; objectives; findings; and recommendations, if applicable.

## CHAPTER 800 – INSPECTIONS AND EVALUATIONS

### (800)-70 Reporting

#### 70.1 Report Writing Process.

While this discussion of the various reports is typically presented as separate from the rest of the inspection/evaluation process, it is vital that each team member consistently keeps the report in mind when planning and conducting field work. As each objective or test is completed and documented, it must be done with consideration of if or how that information will be incorporated into the report and how it may influence the presentation of other findings.

#### 70.2 Draft Reports.

The draft report (ensure the team uses the most current Report Template) is usually prepared by the lead evaluator based upon the discussion draft report and the comments provided by the Internal Revenue Service (IRS) or other recipient if appropriate, in response to the discussion draft. The draft report is routed through the supervisory evaluator and the director. It is referenced and then provided to the Deputy Inspector General for Inspections and Evaluations (DIGIE) for approval. (In some instances and with the approval of the DIGIE when a discussion draft is not required and the draft report is the first document the IRS will receive; the draft will not be indexed and referenced until the DIGIE has approved its contents.) It is then sent to the Office of Audit's Office of Management and Policy (OMP) for their quality review. The lead and supervisory evaluator will address the OMP comments in consultation with the director, as needed. The draft report is then proofread by the staff advisor before being signed by the DIGIE. Once the draft report is signed by the DIGIE, the staff advisor will issue the report to the IRS and retain a copy in the project file.

#### 70.3 Indexing and Referencing Reports.

The supervisory evaluator and director are responsible for ensuring the draft report is indexed and referenced before it is issued. Information collected through interviews, observations, document reviews, or analysis after the draft report was issued and the IRS management's response that is included in the final report, must be indexed, referenced, and reviewed by the supervisory evaluator and concurred to by the director before the final report is issued.

Report indexing entails listing and numbering all sources of data and information used to develop the draft and final report so it can be readily located in the work papers. Report indexing is very important as it is an integral part of our quality assurance process and provides a mechanism to retrieve source data and information in the future for further study, to promptly respond to Freedom of Information Act requests, or to address issues raised with the accuracy of reported data and information.

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: April 1, 2020**

---

**70.4 Report Response Period.**

The IRS will be asked to respond to inspection/evaluation reports that do not contain a recommendation within 15 calendar days. The IRS will be asked to respond to inspection/evaluation reports with findings/recommendations within 30 calendar days. Note, depending on the complexity of the issues and the number of IRS business units involved, the DIGIE (or in his/her absence the appropriate director) may agree to extend the response period on a case-by-case basis.

**70.5 Reports of Internal Treasury Inspector General for Tax Administration Operations/Programs.**

Reports containing the results of reviews of Treasury Inspector General for Tax Administration (TIGTA) operations and programs must be prepared with the same due diligence and professional care as those issued to external parties. The primary difference between external and internal projects and reports is that they will not need to fully adhere to CIGIE standards related to independence and quality control. Our independence could be impaired, in fact or appearance, in cases where I&E reviews its own compliance with TIGTA's policies and procedures. The quality standard may be impaired, because internal draft reports (template: Internal Report Memo Template) will be indexed; but will not be independently referenced unless the director deems it necessary. The draft reports will be issued by the director to the responsible TIGTA functional executive upon approval by the DIGIE. Final reports will be issued by the DIGIE to the TIGTA functional executive, unless the inspection or evaluation was initiated in response to a request from the Inspector General (IG), in which case it will be issued to the IG.

**70.6 Sensitive But Unclassified Designation.**

Use the Sensitive But Unclassified (SBU) designation on reports that contain taxpayer data, information designated SBU (or equivalent by issuing agency), or information that, if made public, could cause harm to the IRS's tax administration efforts. I&E will only issue SBU reports to the officials designated by the IRS.

See I&E Chapter (800) 80.1.4 and guidance on marking requirements contained in the I&E Handbook pursuant to the Treasury Security Manual (TD P 15-71) Chapter III, Section 24.

## CHAPTER 800 – INSPECTIONS AND EVALUATIONS

### (800)-80 Final Reports

#### 80.1 Final Report Writing.

As part of the final report package, the Disclosure Checklist (template: Disclosure Checklist) must also be prepared. In addition, a second version of the final report with the material to be redacted highlighted (and the basis for withholding the information) must also be provide if redactions are requested.

The process generally runs from the lead evaluator, through the supervisory evaluator, director, and staff advisor to the Deputy Inspector General for Inspections and Evaluations (DIGIE).

During the staff advisor's review, a reference number is assigned to the final report. Reference numbers consist of 10 digits/characters with hyphens after the fourth and sixth digits (e.g., 2013-IE-R001).

After the DIGIE reviews the report and the evaluation staff addresses any edits/comments, the DIGIE will sign the report and the staff advisor will forward the final report to the Office of Audit's (OA) Office of Management and Policy (OMP) for their review. Once received back from OMP, the edited report will be shared with the supervisory evaluator and director. Changes will be made as needed and routed through the director for approval. Additionally, the staff advisor will prepare an e-mail to the DIGIE for formally sending the documents to the Inspector General's office for review prior to issuance to the Internal Revenue Service (IRS). The DIGIE will indicate when to issue the final report to the IRS.

80.1.1 Recommendations and the Joint Audit Management Enterprise System (JAMES). The staff advisor will use the final report to input report information, including findings, recommendations, and planned corrective actions (where applicable), into the JAMES system. If the team determines any material should be redacted from the final report, this redacted information cannot be contained within JAMES. Refer to the Inspections and Evaluations (I&E) Handbook for additional details.

#### 80.1.2 Outcome Measures.

The Treasury Inspector General for Tax Administration (TIGTA) 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.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DATE: October 1, 2021

---

- Reduction of burden on taxpayers.
- Taxpayer privacy and security.
- Protection of resources.
- Inefficient use of resources.
- Reliability of information.

TIGTA uses outcome measures to assess the impact or value that its products and services have on tax administration or business operations. Refer to the I&E Handbook for additional details.

### 80.1.3 Disclosure Review.

The report disclosure checklist (template: Disclosure Checklist) will be prepared by the lead auditor, and approved by the supervisory evaluator. This document is used to alert TIGTA Counsel to any information included in the report the disclosure of which is prohibited. This includes Law Enforcement Manual information, sensitive tax administration process information, return and return information, or personally identifiable information.

After the DIGIE sends the final report to the Inspector General for review, the staff advisor will send, in a separate email, the final report and disclosure checklist to Counsel for review. If the team determines any material should be withheld/redacted, a second version of the final report with the material to be redacted highlighted (and the basis for withholding the information) is sent to Counsel for review. Refer to Chief Counsel's Chapter of TIGTA's Operations Manual (*i.e.*, Chapter 700) for information about I.R.C. § 6103, the Privacy Act, and the Freedom of Information Act. Refer to the I&E Handbook for instructions on properly marking reports that contain SBU material.

The IRS will receive a properly marked unredacted final report. Also, the appropriate committees of Congress responsible for overseeing the IRS are provided properly marked unredacted reports.

Generally, all I&E reports (properly redacted when needed) on IRS operations will be posted to the TIGTA internet page within three (3) calendar days of being issued to the IRS as required by the IG Empowerment Act.

### 80.2 Press Release.

If the DIGIE requests a press release, the TIGTA Office of Communications staff will prepare a draft and use the Communications Work Management System (CWMS) to route it to the supervisor, director, and DIGIE for review. Refer to the I&E Handbook for details.

### 80.3 Work Paper Retention.

The Office of Inspections and Evaluations (I&E) is responsible, in varying degrees, for the record keeping and control of inspection/evaluation documents, including adequate

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

security over electronic and manual reports, memoranda, work papers, and other documents. I&E will follow the TIGTA OA approved record retention schedule DAA\_005-2012-0001. Electronic and hard copy work papers are destroyed five years after the end of the fiscal year when the final report or deliverable is issued; or when the information is no longer needed, as determined by the DIGIE or designee, whichever is later. Refer to the Records Management link on the TIGTA Homepage to access the approved retention schedule.

**80.4 Input for the Semiannual Report to Congress.**

In accordance with the Inspector General Act of 1978, TIGTA must prepare a Semiannual Report to Congress no later than April 30 and October 31 of each year summarizing the activities of TIGTA during the immediately preceding six month periods ending March 31 and September 30, respectively. The staff advisor is responsible for coordinating and compiling I&E program information to be used in the Semiannual Reports to Congress.

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DATE: October 1, 2021

---

80.5 Input for Congressional Testimony and Requests for Information from Congress.

The DIGIE will control all draft testimony and requests for information relating to I&E and will assign responsibility for preparing the final version of the draft testimony to the appropriate staff member(s). The DIGIE will ensure the draft testimony is provided to TIGTA Counsel prior to the testimony or due date to ensure compliance with disclosure and I.R.C. § 6103 provisions.

80.6 Reports of Internal Treasury Inspector General for Tax Administration Operations/Programs.

Reports containing the results of reviews of TIGTA operations and programs must be prepared with the same due diligence and professional care as those issued to external parties. Final internal reports incorporating management's response, when applicable, will be routed up through the DIGIE for approval and then forwarded to OMP for review. Because these are internal documents:

- A press release is not prepared;
- Document conversion is not performed as the report is not released to the public, and
- The report is not posted to the intra- or Internet.

The team should perform a disclosure review of the report and complete a disclosure review checklist. If needed, create a properly marked copy of the report to be associated with the disclosure checklist. The checklist and marked copy are **not** sent to Counsel – rather they are retained in TeamMate project file so that if a FOIA request comes in, TIGTA is prepared to make a timely response.

80.7 Follow Up Reviews.

80.7.1 Tracking Findings with Recommendations for Corrective Actions.

Findings with recommendations to the IRS for corrective action are input into the JAMES system by the staff advisor.

80.7.2 Decision Criteria and Follow Up.

The *Quality Standards for Inspections and Evaluations (December 2020)* require inspection organizations to monitor inspected entities' progress toward implementation of recommendations.

The I&E staff advisor, working with the directors, will create an ad hoc JAMES report every six months to coincide with the beginning of the Semiannual Report process. The report will list all open and pending corrective actions, and all closed corrective actions made in the prior year.

TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**DATE: October 1, 2021**

---

The directors are responsible for reviewing the report and contacting the IRS Audit Coordination staff to coordinate all contacts with IRS personnel. The directors may perform follow up by reviewing the evidence supporting a closed action, or obtaining updated information on the progress of an open corrective action. A risk-based approach will be used when determining which corrective actions may warrant further verification, inspection, or limited testing. The risk-based approach will be based on the significance and/or sensitivity of the original finding as well as considerations for resource constraints.

**80.7.3 Reporting.**

The directors will annually prepare a memo for DIGIE signature addressed to the Director, Audit Coordination on the results of the follow up review. The follow up results can be, but are not limited to:

- verifying that the IRS has implemented the proposed corrective action(s),
- assessing if the corrective action(s) implemented is/are working as intended to fully address the original finding, and
- determining if the corrective action(s) achieved the anticipated monetary benefits, if applicable.

## CHAPTER 800 – INSPECTIONS AND EVALUATIONS

### **(800)-90 Time and Expense Reporting.**

#### 90.1 Responsibilities.

All I&E employees (director's level and below) will use the Time and Expense Capture (TEC) web-based application to provide a daily record of their time spent on specific I&E projects, activities, training, and leave. Employees complete and submit their form electronically at the end of every pay period. Employees will be required to estimate their time when earlier due dates are required.

Timely submission is essential because TEC is the basis for certain aspects of I&E's management information system. The employee's manager will review and approve each TEC report.

Travel and administrative time, such as preparing travel vouchers and time reports, should be charged to related projects.

#### 90.2 Time Reporting Codes.

Refer to the I&E Handbook for details on the time reporting codes.