
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



***Independent Attestation Review of the
Internal Revenue Service's Fiscal Year 2016
Annual Accounting of Drug Control Funds
and Related Performance***

January 30, 2017

Reference Number: 2017-10-016

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.

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HIGHLIGHTS

INDEPENDENT ATTESTATION REVIEW OF THE INTERNAL REVENUE SERVICE'S FISCAL YEAR 2016 ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS AND RELATED PERFORMANCE

Highlights

Final Report issued on January 30, 2017

Highlights of Reference Number: 2017-10-016 to the Internal Revenue Service Chief Financial Officer and Chief, Criminal Investigation.

IMPACT ON TAXPAYERS

TIGTA reviewed the assertions in the IRS's Office of National Drug Control Policy (ONDCP) Detailed Accounting Submission and Performance Summary Report for Fiscal Year 2016. IRS management is responsible for preparing the report.

The IRS supports the National Drug Control Strategy through its continued support of the Organized Crime Drug Enforcement Task Force. Complete and reliable financial and performance information is critical to the IRS's ability to accurately report on the results of its operations to both internal and external stakeholders, including taxpayers.

WHY TIGTA DID THE AUDIT

This review was conducted as required by the ONDCP and ONDCP Circular: *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013. The National Drug Control Program agencies are required to submit to the Director of the ONDCP, not later than February 1 of each year, a detailed accounting of all funds expended (the ONDCP Circular requires amounts obligated) during the previous fiscal year. Agencies also need to identify and document performance measures that show the results associated with these expenditures. Further, the ONDCP Circular requires that each report be provided to the agency's Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the report prior to its submission.

WHAT TIGTA FOUND

The IRS asserted that the methodology used to establish its performance goals (completed cases, convictions, and conviction rate) for the current year is reasonable given its past performance and is consistent with its documented policy on developing performance goals. However, the IRS did not implement TIGTA's prior recommendation to update its performance goals for Fiscal Year 2017 to reflect prior performance and its own documented methodology. Our review found that the corrective action associated with our previous recommendation was closed as completed even though the recommendation was not addressed.

Otherwise, based on our review, nothing came to our attention that caused us to believe that the assertions in the Detailed Accounting Submission and Performance Summary Report are not fairly presented in all material respects in accordance with the ONDCP's established criteria.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Criminal Investigation, should work with the IRS Office of Audit Coordination and the U.S. Department of the Treasury to change the status from closed to open for the corrective action TIGTA identified as not addressed and keep it open until fully implemented.

In their response, the IRS concurred that additional actions were needed to fully address TIGTA's prior recommendation and will add a new planned corrective action to set performance goals (targets) that are consistent with the documented methodology and clearly explained in the Detailed Accounting Submission and Performance Summary Report.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

January 30, 2017

MEMORANDUM FOR CHIEF FINANCIAL OFFICER
CHIEF, CRIMINAL INVESTIGATION

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Independent Attestation Review of the Internal Revenue Service’s Fiscal Year 2016 Annual Accounting of Drug Control Funds and Related Performance (Audit # 201610019)

This report presents the results of our attestation review of the Internal Revenue Service’s Fiscal Year 2016 Office of National Drug Control Policy Detailed Accounting Submission and Performance Summary Report (the report). The overall objective of this review was to express a conclusion about the reliability of each assertion made in the report. This review was included in our Fiscal Year 2016 Annual Audit Plan and addresses the major management challenge of Achieving Program Efficiencies and Cost Savings.

Management’s complete response to the draft report is included as Appendix V.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendation. If you have any questions, please contact me or Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations).



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Abbreviations

CI	Criminal Investigation
FY	Fiscal Year
IRS	Internal Revenue Service
JAMES	Joint Audit Management Enterprise System
ONDCP	Office of National Drug Control Policy
PCA	Planned Corrective Action



***Independent Attestation Review of the Internal
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Background

The Anti-Drug Abuse Act of 1988¹ establishes as a policy goal the creation of a drug-free America. A key provision of the Act is the establishment of the Office of National Drug Control Policy (ONDCP) to set priorities, implement a national strategy, and certify Federal Government drug control budgets. The Internal Revenue Service (IRS) supports the National Drug Control Strategy through its continued support of the Organized Crime Drug Enforcement Task Force. The mission of the IRS's Criminal Investigation (CI) in Federal law enforcement's anti-drug efforts is to reduce or eliminate the financial gains (profits) of major narcotics trafficking and money laundering organizations through the use of its unique financial investigative expertise and statutory jurisdiction.

This review was conducted as required by the ONDCP and the ONDCP Circular: *Accounting of Drug Control Funding and Performance Summary*, dated January 18, 2013. The National Drug Control Program agencies² are required to submit to the Director of the ONDCP, not later than February 1 of each year, a detailed accounting of all funds expended (the ONDCP Circular requires amounts obligated) during the previous fiscal year.³ Agencies also need to identify and document performance measures that show the results associated with these expenditures. The Chief Financial Officer, or another accountable senior-level executive, of each agency for which a Detailed Accounting Submission is required, shall provide a Performance Summary Report to the Director of the ONDCP. Further, the ONDCP Circular requires that each report be provided to the agency's Inspector General for the purpose of expressing a conclusion about the reliability of each assertion made in the report prior to its submission. Complete and reliable financial and performance information is critical to the IRS's ability to accurately report on the results of its operations to both internal and external stakeholders, including taxpayers.

Since Fiscal Year (FY) 2014, the IRS has modified the methodology it uses to report ONDCP expenditures to include costs applicable to all narcotics investigations. Previously, the IRS reported costs applicable only to narcotics investigations performed as part of a coordinated task force. The IRS told us this change was made to allow for more comprehensive reporting of the resources it devotes to the National Drug Control Strategy. This change was approved by the ONDCP. The reporting of performance measures was similarly modified to include accomplishments applicable to all narcotics investigations.

¹ Pub. L. No. 100-690, 102 Stat. 4181 (1988).

² A National Drug Control Program agency is defined as any agency that is responsible for implementing any aspect of the National Drug Control Strategy.

³ Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.



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The Department of the Treasury's Joint Audit Management Enterprise System (JAMES) is an audit tracking and management control system maintained by the U.S. Department of the Treasury. The information on the JAMES is used to assess the effectiveness and progress of the IRS in correcting its internal control deficiencies and implementing audit recommendations. The JAMES allows users to run reports to assess the effectiveness of their programs. Tracking issues, findings, recommendations, and the current status of corrective actions is mandatory to comply with the intent of the standard of internal control.

In addition, the IRS has developed guidance, which may be found in Internal Revenue Manual (IRM) 1.4.30, *Resource Guide for Managers, Monitoring Controls and Planned Corrective Actions* (PCA),⁴ and has assigned responsibilities to help ensure that its corrective actions are completed. On October 1, 2014, the IRS mandated that the only acceptable form of executive certification to update the status of, or close, a corrective action was via Form 13872, *Planned Corrective Action (PCA) Status Update for TIGTA/GAO/MW/SD/TAS/REM Reports*.⁵ Later, in October 2015, the IRS issued formal guidance requiring that additional supporting documentation be uploaded and stored in the JAMES, along with a completed, signed, and dated Form 13872.

IRM 1.4.30.8.8 (7), *Audit Reporting, Monitoring, and Requirements, Timeliness of JAMES Reporting*, provides that PCAs are considered to be completed timely when one or more of the following occurs:

- a. The PCA was completed on or before the assigned due date in the JAMES.
- b. Description of the action taken addresses the specific issues of the PCA.
- c. Action agrees with the stated PCA and is fully implemented.
- d. Supporting documentation that is approved by the responsible official is uploaded into the JAMES for implemented and closed PCAs.

This review was performed at the IRS Headquarters offices of the Chief Financial Officer and Chief, CI, in Washington, D.C., during the period June 2016 through December 2016. Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government auditing standards. In general, our review procedures were limited to inquiries and analytical procedures appropriate for an attestation review based upon the criteria in the ONDCP Circular. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

⁴ The IRM is the primary official source of IRS instructions to staff related to the organization, administration, and operation of the IRS. It details the policies, delegations of authorities, procedures, instructions, and guidelines for daily operations for all IRS divisions and functions.

⁵ Form 13872, Revision 10/2010. TIGTA = Treasury Inspector General for Tax Administration. GAO = Government Accountability Office. MW = Material Weakness. SD = Significant Deficiency. TAS = Taxpayer Advocate Service. REM = Remediation Plan.



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Results of Review

***Summary of the Independent Attestation Review of the Fiscal
Year 2016 Office of National Drug Control Policy Detailed
Accounting Submission and Performance Summary Report***

We reviewed the assertions in the IRS's ONDCP Detailed Accounting Submission and Performance Summary Report (the report) for FY 2016, which ended September 30, 2016 (see Appendix IV). The report was prepared pursuant to 21 U.S.C. 1704 (d) and the ONDCP Circular. IRS management is responsible for preparing the report.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government auditing standards. An attestation review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the report. Accordingly, we do not express such an opinion.

The IRS asserted that the methodology used to establish its performance goals (completed cases, convictions, and conviction rate) for the current year is reasonable given its past performance and is consistent with its documented policy on developing performance goals. However, we found that the IRS did not update its reported performance goals for FY 2017 to reflect its own documented methodology, which requires the goals to be based on an average of the actual performance results achieved over the three prior fiscal years.⁶ Instead, the IRS used the same performance goals for FY 2017 as they used in FY 2016. For example, the IRS left the convictions goal at 500 for FY 2017. The average convictions during the period from FY 2013 through FY 2015 was 602. In FY 2016, the IRS reported 695 convictions. Similarly, the IRS left the completions goal at 800 for FY 2017, while the average completions from FY 2013 through FY 2015 was 948.

In our prior report, we recommended that the Chief, CI, set performance goals that are consistent with their documented methodology and clearly explained in the Detailed Accounting Submission and Performance Summary Report.⁷ Specifically, we found that although the IRS did marginally increase its goals for FY 2016 in all the three areas, the goals were not consistent with its documented methodology. For example, the FY 2016 performance goal for case

⁶ At the time the FY 2017 goal was established, the most current information available was for FYs 2013 through 2015 performance.

⁷ Treasury Inspector General for Tax Administration, Ref. No. 2016-10-014, *Independent Attestation Review of the Internal Revenue Service's Fiscal Year 2015 Annual Accounting of Drug Control Funds and Related Performance* p. 4 (Jan. 2016).



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completions was 800 while the average case completions for the prior three fiscal years was 903 cases. The Chief, CI, agreed with the recommendation and indicated it would be implemented. However, we found that this recommendation remains unaddressed and appropriate corrective actions have not been taken. The IRS did note in the FY 2016 report that it plans to revise performance goals for FY 2018 and modify the performance goal setting methodology to include an average of five years' prior performance results. These revised performance goals will be reported in the FY 2017 report. Until the IRS completes this update of its performance goals, it will lack meaningful goals to assess yearly performance results. For example, if the IRS would have used its methodology based on the actual prior three year's averages for the FY 2016 report, it would have identified that actual completions of 788 were significantly less than its calculated goal of 903. Instead, because the IRS used a goal of 800, this difference was significantly less.

Corrective Actions Were Not Completed Prior to Closure in the Joint Audit Management Enterprise System

TIGTA previously recommended that the Chief, CI, develop future performance goals that are consistent with the IRS's documented methodology and clearly explained in the Detailed Accounting Submission and Performance Summary Report. The Chief, CI, agreed to implement this recommendation. The PCA associated with the recommendation was subsequently closed as completed in the JAMES. However, our review indicated that CI has not completed the corrective actions needed to fully address the recommendation.

Specifically, the Chief, CI, indicated in the JAMES on August 22, 2016, that the performance goals for completed investigations for FY 2016 and FY 2017 were increased to 800 and that based on research of the current level of completions, a revision of the goals is not necessary. No explanation was provided as to why convictions and the conviction rate were not addressed. The PCA for this recommendation was then closed. This action and justification were not consistent with the agreed PCA, which requires that future goal setting be consistent with the IRS's documented methodology of basing goals on the performance in the prior three years and be adequately explained.

IRS criteria require that corrective actions be closed in the JAMES only when corrective actions have been completed (not planned).⁸ Further, IRS management is required to obtain concurrence from the Treasury Inspector General for Tax Administration before making significant modifications to the corrective actions. According to IRS guidance, CI should have closed the corrective actions only after implementation was complete.

When we shared these concerns with CI, it indicated that it had not fully understood the prior recommendation and thought it had taken an appropriate action. After further review, CI

⁸ IRM 1.4.30 *Resource Guide for Managers, Monitoring Internal Control Planned Corrective Actions* (Oct. 16, 2015).



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indicated that it would contact the IRS Office of Audit Coordination to request that the status in the JAMES be changed to reflect the PCA as still open.

Based on our review, except for the assertion regarding establishment of performance goals, nothing came to our attention that caused us to believe that the assertions in the report are not fairly presented in all material respects in accordance with the ONDCP's established criteria.

While this report is an unrestricted public document, the information it contains is intended solely for the use of the IRS, the U.S. Department of the Treasury, the ONDCP, and Congress. It is not intended to be used by anyone other than the specified parties.

Recommendation

Recommendation 1: The Chief, CI, should work with the IRS Office of Audit Coordination and the U.S. Department of the Treasury to change the status from closed to open for the corrective action we identified as not addressed and keep it open until fully implemented.

Management's Response: The Chief, CI, agreed with TIGTA's prior recommendation to set performance goals (targets) that are consistent with the documented methodology and clearly explained in the Detailed Accounting Submission and Performance Summary Report. While CI took corrective actions to address the prior recommendation, additional actions are necessary to fully address the issue. CI met with the IRS Office of Audit Coordination and determined that adding a new PCA to the prior recommendation was more appropriate than re-opening the original PCA. The new PCA will specify that CI will seek concurrence from the ONDCP to modify the performance target setting methodology for investigations completed, convictions, and conviction rate to include the average of five years' prior performance results.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to perform an independent attestation review of the IRS's reporting of FY¹ 2016 ONDCP expenditures and related performance for the purpose of expressing a conclusion about the reliability of each assertion made in the Detailed Accounting Submission and Performance Summary Report. To accomplish our objective, we:

- I. Obtained an understanding of the process used to prepare the FY 2016 Detailed Accounting Submission and Performance Summary Report.
 - A. Discussed the process used to record ONDCP expenditures and performance information with responsible IRS personnel.
 - B. Obtained any documents such as written procedures and supporting worksheets that evidence the methodology used.
- II. Evaluated the reasonableness of the drug methodology process for detailed accounting submissions.
 - A. Reviewed data supporting the Detailed Accounting Submission to establish the relationship to the amounts being reported.
 - B. Verified whether all drug-related activities are reflected in the drug methodology.
 - C. Obtained documentation to support any modifications to the initial drug methodology and verified that the modifications were submitted to the ONDCP for review prior to implementation.
- III. Performed selected reviews of reported obligations in the Detailed Accounting Submission.
 - A. Verified that the Detailed Accounting Submission included all of the elements specified in Section 6 of ONDCP Circular: *Accounting of Drug Control Funding and Performance Summary*.
 - B. Verified the mathematical accuracy of the obligations presented in the Table of FY 2016 Drug Control Obligations.
 - C. Traced the information contained in the Table of FY 2016 Drug Control Obligations to the supporting documentation.

¹ Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.



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- D. Reviewed the supporting documentation for reasonableness.
- IV. Evaluated the reasonableness of the methodology used to report performance information for National Drug Control Program activities.
 - A. Reviewed data supporting the Performance Summary Report to establish the relationship to the National Drug Control Program activities.
 - B. Verified whether all drug-related activities are reflected in the performance information.
- V. Performed sufficient verifications of reported performance information to support our conclusion on the reliability of the assertions.
 - A. Verified that the Performance Summary Report included all of the elements specified in Section 7 of the ONDCP Circular.
 - B. Verified the mathematical accuracy of the performance information presented.
 - C. Traced the performance information presented to the supporting documentation.
 - D. Reviewed the supporting documentation for reasonableness.



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Appendix II

Major Contributors to This Report

Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations)

Alicia P. Mrozowski, Director

Anthony J. Choma, Audit Manager

Angela Garner, Lead Auditor

Paige K. Krivda, Auditor



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Appendix III

Report Distribution List

Commissioner
Office of the Commissioner – Attn: Chief of Staff
Deputy Commissioner for Operations Support
Deputy Commissioner for Services and Enforcement
Deputy Chief Financial Officer
Deputy Chief, Criminal Investigation
Director, Office of Audit Coordination



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Appendix IV

**IRS's Fiscal Year 2016 Detailed Accounting
Submission and Performance Summary Report**



CHIEF FINANCIAL OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

December 1, 2016

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Ursula S. Gillis 
Chief Financial Officer

SUBJECT: Annual Accounting and Authentication of Fiscal Year (FY) 2016
Drug Control Funds, Related Performance, and Assertion of
Performance Information

The purpose of this memorandum is to transmit the IRS FY 2016 Annual Accounting and Authentication of Drug Control Funds and Related Performance Report, as directed in the Office of National Drug Control Policy (ONDCP) Circular: Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013. This circular requires the Treasury Inspector General for Tax Administration (TIGTA) to perform an attestation review before the IRS submits this document to the ONDCP. After IRS receives TIGTA's conclusion as to the reliability of each assertion, I will forward the document to the ONDCP.

If you have any questions, please contact me at (202) 317-6400, or have a member of your staff contact Jeffrey Zottola, Associate Chief Financial Officer for Corporate Budget, at (202) 317-4038.

Attachment



**Independent Attestation Review of the Internal
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Attachment

**INTERNAL REVENUE SERVICE
Annual Accounting and Authentication of Drug Control Funds and Related Performance**

DETAILED ACCOUNTING SUBMISSION

A. Table of Fiscal Year (FY) 2016 Drug Control Obligations

	Narcotics
Drug Resources by Function	(\$000)
Investigations	\$63,730
Total	\$63,730
Drug Resources by Decision Unit	
Narcotics Crimes	\$63,730
Total	\$63,730

1) Drug Methodology

- a) All Drug Control Obligations (the resources appropriated and available for these activities) are reported under one Drug Control Function and one Budget Decision Unit, as shown in the chart above.
- b) The Internal Revenue Service (IRS) Drug Control Budget encompasses the Criminal Investigation (CI) Narcotics Program¹. CI's overall Direct Investigative Time (DIT) applied to narcotics investigations for FY 2016 was 11.61 percent of total DIT.

The methodology for computing the resources appropriated and realized for the Narcotics Program is application of the DIT attributable to narcotics investigations and application of the DIT percentage to the total realized appropriated resources, reduced by reimbursable funds and Earned Income Tax Credit (EITC) resources, for the year for which the resources are being reported. The result is determined to be the amount of resources expended on the Narcotics Program. This methodology was approved by CI, the IRS Chief Financial Officer, and the Office of National Drug Control Policy (ONDCP) during FY 2014 and is effective for FY 2014 and all subsequent fiscal years.

¹ The IRS-CI Narcotics Program consist of 5 sub-programs which include Organized Crime Drug Enforcement Task Forces (OCDETF), High Intensity Drug Trafficking Area (HIDTA), HIDTA-OCDETF, Terrorism-OCDETF, and Narcotics-Other.



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2) Methodology Modifications

No changes or modifications in the methodology from the prior year.

3) Material Weaknesses or Other Findings

None

4) Reprogramming or Transfers

None

5) Other Disclosures

None

B. Assertions

1) Obligations by Budget Decision Unit

Obligations reported by the Budget Decision Unit are a result of applying DIT data derived from the Criminal Investigation Management Information System (CIMIS) to the actual obligations from the CI realized Financial Plan, less reimbursements and EITC funds.

2) Drug Methodology

The current methodology used to calculate obligations of prior-year budgetary resources did not change from FY 2015 to FY 2016. There was no impact in the methodology in FY 2016 since the methodology in FY 2015 did not change.

a) Data

Data is derived from CIMIS to determine the DIT applied to the Narcotics Program. Each special agent submits CIMIS time reports monthly detailing his/her activities relating to specific investigations. Each investigation is associated with a specific program and sub-program area. The percentage of DIT applied to each program area is calculated monthly with a final annual percentage determined after the close of the fiscal year to determine the total resources expended to support the U.S. Government's National Drug Control Strategy. The annual percentage of DIT relating to all narcotics sub-programs is applied to the total resources expended for FY 2016 in the CI Appropriated Enforcement Budget (excluding reimbursements and EITC).



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b) Other Estimation Methods

None

c) Financial Systems

The IRS Integrated Financial System (IFS) is the final authority for the IRS resource obligations and yields data which fairly presents drug-related obligation estimates.

3) Application of Drug Methodology

The methodology disclosed in this section was the actual methodology used to generate the required table and meets all requirements described in Section 6 of the ONDCP Circular: Accounting of Drug Control Funding and Performance Summary. Calculations made using this methodology are sufficiently documented to independently reproduce all data and ensure consistency between reporting years.

4) Reprogramming or Transfers

The data presented is associated with obligations against a financial plan and properly reflects any revisions occurring during the fiscal year.

5) Fund Control Notices

Criminal Investigation asserts that the data presented is associated with obligations against a financial plan that fully complied with all fund control notices issued by the Director under 21 U.S.C. § 1703(f) and Section 9 of the ONDCP Circular: Budget Execution, as applicable.

C. Performance Summary Report

1) Performance Reporting

a) Performance Measures

The IRS reviewed performance measures used by other agencies that support the National Drug Control Strategy as well as budget-level performance measures that are already used to address the effectiveness of CI activities. As a result of the review, the IRS determined that, in addition to the number of subject criminal investigations completed, the most appropriate performance measures to evaluate its contribution to the National Drug Control Strategy were number of convictions and conviction rate. These are both budget-level performance measures already used by CI to evaluate its performance as a whole. Criminal investigations completed for the Narcotics



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Program and all other programs are defined as total subject criminal investigations completed during the fiscal year, including those resulting in a prosecution recommendation to the DOJ, discontinuance due to lack of evidence, or a finding that the allegation was false (or other reasons). Convictions are defined as the total number of subject criminal investigations with CIMIS status codes of guilty plea, nolo-contendere, judge guilty, or jury guilty. Conviction rate is defined as the total number of subject criminal investigations with CIMIS status codes of guilty plea, nolo-contendere, judge guilty, or jury guilty divided by these status codes nolle prosequi, judge dismissed, and jury acquittal.

These measures assess CI's performance of its mission to serve the public by conducting investigations of potential violations of the Internal Revenue Code and related financial crimes (which narcotics investigations are an important component), to foster confidence in the tax system and enhance voluntary compliance. In addition, it reduces or eliminates the profits and financial gains from narcotics trafficking and money laundering.

Criminal Investigation's Narcotics Program supports the goals of the President's Strategy to Combat Transnational Organized Crime, the U.S. National Drug Control Strategy, and the National Money Laundering Strategy by seeking to reduce or eliminate the profits and financial gains from Transnational Criminal Organizations involved in narcotics trafficking and money laundering. CI has participated in the Organized Crime Drug Enforcement Task Forces (OCDETF) program since its inception in 1982 and focuses its narcotics efforts almost exclusively on high-priority OCDETF cases where its contributions will have the greatest impact.

b) Prior Years Performance Targets and Results

The performance results for FY 2011 through FY 2015 are shown below:

	FY 2011	FY 2012 ²	FY 2013	FY 2014	FY 2015
Investigations Completed	927	904	943	862	1039
Convictions	435	563	621	584	601
Conviction Rate	88%	90%	88%	91%	92%

Note: The performance results for FY 2011 – FY 2013 listed in the above table were based on the prior drug methodology and only include investigations coded as OCDETF.

² TIGTA and CI agreed to revise the number of convictions for FY 2012 to 559 (from 563) based on a review of CIMIS data.



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c) Current Year Performance Targets and Results

CI calculated its year-end performance using the status date of investigations. The results for FY 2016 are shown below:

FY 2016 Narcotics Targets & Performance	FY 2016 Narcotics Targets	FY 2016 Performance Results Narcotics ³
Investigations Completed	800	788
Convictions	500	695
Conviction Rate	86%	90.6%

- The 788 completions is just 1.5% below the performance target. This is a reasonable variance since the target for Investigations Completed is a forecast for the upcoming year. One possible explanation for the variance is that the ICDE appropriation remained constant from FY 2015 to FY 2016. The increase in FY 2016 FTE-related expenses resulted in fewer FTEs being applied in FY 2016, which may have resulted in a 1.5% decrease in Investigations Completed.

d) Fiscal Year 2017 Performance Targets Narcotics Cases:

The performance information for the IRS CI Narcotics program for FY 2017, as submitted to ONDCP (ONDCP Budget Submission):

Criminal Investigations Completed	800
Convictions	500
Conviction Rate	86%

- The FY 2017 numbers are the same as FY 2016 based on the requirement of a two-year submission. We will change the performance target methodology for FY 2018 and the out-years to include the average of five years of performance results for criminal investigations completed, convictions, and conviction rate.

e) Quality of Performance Data

To ensure the reliability of the data, all cases have unique numbers assigned in CIMIS which contain validity and business rule checks. The CIMIS database tracks the status of the investigations from initiation through final disposition. The system has sufficient internal checks and balances to assure status updates are input in the proper order.

³ Figures are based on status dates as of November 2, 2016.



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D. Annual Accounting and Authentication of Drug Control Funds and Related Performance

1) Performance Measures Assertions

a) Performance Reporting System is appropriate and applied

The IRS uses the CIMIS to capture performance information accurately and that system was properly applied to generate the performance data.

b) Explanations for not meeting performance targets are reasonable

Explanations offered for failing to meet a performance target and for any recommendations concerning plans and schedules for meeting future targets or for revising or eliminating performance targets are reasonable.

c) Methodology to establish performance targets is reasonable and applied

The methodology described in the Performance Summary Report for FY 2016 to establish performance targets for the current year is reasonable given past performance and available resources.

d) Adequate performance measures exist for all significant drug control activities

The IRS established at least one acceptable performance measure for each Drug Control Decision Unit identified in its Detailed Accounting of FY 2016 Drug Control Funds as required by § 6a(1)(A) for which a significant amount of obligations were incurred in the previous year.

2) Criteria for Assertions

a) Data

The sources of the data used are well-documented and the data used in the report is clearly identified and is the most recent available.

b) Estimation Methods

Not applicable.

c) Reporting Systems

The reporting system supporting the above assertions is current, reliable, and an integral part of the agency's budget and management processes.



**Independent Attestation Review of the Internal
Revenue Service's Fiscal Year 2016 Annual Accounting
of Drug Control Funds and Related Performance**

Appendix V

Management's Response to the Draft Report



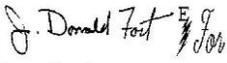
Criminal Investigation

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

January 19, 2017

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Richard Weber 
Chief, Criminal Investigation

SUBJECT:

Response to Discussion Draft Report – Independent Attestation
Review of the Internal Revenue Service Fiscal Year 2016 Annual
Accounting of Drug Control Funds and Related Performance-
201610019

Thank you for the opportunity to review and comment on the subject discussion draft report. We appreciate your report's acknowledgement that the assertions in the Detailed Accounting Submission and Performance Summary Report are fairly presented in all material respects in accordance with the ONDCP's established criteria.

We agree with your recommendation to set performance goals (targets) that are consistent with the documented methodology and clearly explained in the Detailed Accounting Submission and Performance Summary Report.

Please note that we will seek approval from ONDCP to modify the performance target setting methodology to include an average of five years' prior performance results. If approved the performance targets for FY 2018 will be revised and the new performance target setting methodology will be reported in the FY 2017 Detailed Accounting Submission and Performance Summary Report.

Attached is a detailed response outlining our corrective action(s).

If you have any questions, please contact me or Deputy Chief Don Fort at (202) 317-3541.

Our comments on the specific recommendations in this report are as follows:



***Independent Attestation Review of the Internal
Revenue Service's Fiscal Year 2016 Annual Accounting
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Attachment

RECOMMENDATION #1

The Chief, Criminal Investigation, should work with the IRS Office of Audit Coordination and the U.S. Department of the Treasury to change the status from closed to open for the corrective action TIGTA identified as not addressed and keep it open until fully implemented.

CORRECTIVE ACTION (S)

We agree with TIGTA's original recommendation from Report #201610014 to set performance goals (targets) that are consistent with the documented methodology and clearly explained in the Detailed Accounting Submission and Performance Summary Report. While CI took corrective actions to address the recommendation cited in that report, additional actions are necessary to fully address the issue. CI met with Audit Coordination and determined that adding a new PCA to the existing recommendation was more appropriate than re-opening a PCA which no longer matched CI's intended actions. A new PCA will be entered in response to the prior recommendation; rather than reopening the original PCA. We will add a new PCA to outline the remaining actions we plan to take. The new PCA will include the language outlined below.

Criminal Investigation will seek concurrence from ONDCP to modify the performance target setting methodology for investigations completed, convictions, and conviction rate to include the average of five years' prior performance results. This change is an attempt to improve the forecasting of performance targets for the Narcotics Program. Providing reliable forecasts for investigations completed and convictions is complicated by variables including prosecutorial discretion, case complexity, and the unpredictable nature and pace of narcotics investigations. All of the aforementioned variables are outside of Criminal Investigations control. If this change in methodology is approved by ONDCP it will be enacted in the 2017 Detailed Accounting Submission and Performance Summary Report.

IMPLEMENTATION DATE

PROPOSED: September 15, 2017

RESPONSIBLE OFFICIAL (S)

Director Narcotics and Counterterrorism (NCT) - Christopher Hueston

Assistant Director Narcotics and Counterterrorism (NCT) - Peter Trucksis