



## Treasury Inspector General for Tax Administration Office of Audit

### OPPORTUNITIES EXIST TO REDUCE LOCKBOX FINGERPRINTING COSTS

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## Highlights

Highlights of Report Number: 2012-10-040 to the Internal Revenue Service Human Capital Officer.

### IMPACT ON TAXPAYERS

To ensure lockbox banks can process large amounts of taxpayer payments received at their locations, lockbox banks must hire sufficient staff when needed with cleared background investigations. Lockbox bank employees are not allowed to begin working until the bank receives confirmation from the IRS that the employee has passed a limited background investigation based on a successful fingerprint check. TIGTA determined that opportunities exist to reduce fingerprinting costs at IRS lockbox bank locations. Effective cost management is especially important given the current economic environment and the focus on efficient spending in the Federal Government

### WHY TIGTA DID THE AUDIT

This review was requested by the IRS and addresses the major management challenge of Erroneous and Improper Payments and Credits. The overall objective of this review was to determine whether the IRS is accurately billed for the cost of fingerprinting contractor employees who work in the IRS lockbox bank operations.

### WHAT TIGTA FOUND

TIGTA determined that opportunities exist to reduce fingerprinting costs at various IRS lockbox bank locations. For example, an excessive amount of potential lockbox employees are being fingerprinted. TIGTA estimated that the three lockbox sites reviewed fingerprinted 6,646 lockbox employees unnecessarily resulting in \$161,165 in excessive charges. TIGTA also identified that fingerprinted charges were submitted and paid for the same individuals in more than 1,000 instances in the same fiscal year, resulting in nearly \$25,000 in unnecessary costs.

Another area for potential cost savings involves the high use of manual fingerprinting at one lockbox bank. At one lockbox site, TIGTA determined that if electronic fingerprinting was fully used, the IRS could have saved approximately \$14,000 for Fiscal Years 2009 and 2010.

Because of these opportunities, TIGTA believes the IRS could have potentially saved 40 percent of the \$496,953 in fingerprinting charges for the three lockbox banks reviewed in Fiscal Years 2009 and 2010.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS Human Capital Officer 1) perform an annual assessment of the number of staff needed at each lockbox bank to ensure fingerprinting charges are not excessive, 2) evaluate the feasibility of requiring lockbox banks to maintain logs of individuals fingerprinted, 3) develop a process requiring IRS personnel to periodically review and analyze fingerprint billing data, 4) clearly communicate appropriate fingerprinting submission guidance to lockbox bank management, and 5) evaluate the use of electronic fingerprints at all lockbox banks.

In their response, IRS management agreed with three of our five recommendations. IRS management agreed to evaluate the feasibility of requiring the lockbox sites to maintain documentation to identify potential employees who have been previously fingerprinted. IRS management has also revised guidance regarding individuals with unclassifiable fingerprint results and ensured that all lockbox sites have electronic fingerprint equipment.

However, IRS management did not fully address our concern that lockbox banks are fingerprinting an excessive number of potential employees. Although IRS management indicated they would require a justification if the number of applicants fingerprinted exceeded industry standards, TIGTA does not believe that applying the industry standard hiring ratio will effectively ensure fingerprinting costs will be reduced. Additionally, while TIGTA agrees with IRS management that pre-emptive measures to avoid duplicative fingerprint requests would improve the process, TIGTA believes an analysis of billing information would provide an increased assurance that steps taken by lockbox banks are effective to prevent duplicative charges.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2012reports/201210040fr.pdf>.

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