



Treasury Inspector General for Tax Administration Office of Audit

THE USE OF RETURN ON INVESTMENT INFORMATION IN MANAGING TAX ENFORCEMENT RESOURCES COULD BE IMPROVED

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Highlights

Highlights of Report Number: 2013-10-104 to the Internal Revenue Service Deputy Commissioners for Operations Support and the Office of the Deputy Commissioner for Services and Enforcement.

IMPACT ON TAXPAYERS

Return on investment (ROI) information, including both estimated ROI for new enforcement initiatives and cost/benefit calculations based on actual program results and costs, is an important tool available to assist IRS senior executives in managing enforcement resources. TIGTA found that the use of cost/benefit information to help manage enforcement resources could be significantly improved. The reduction in the IRS's budget heightens the importance of having comprehensive and reliable data to help make informed resource allocation decisions to ensure that every tax dollar is spent wisely.

WHY TIGTA DID THE AUDIT

This audit was initiated to review the IRS's use of ROI data in managing its enforcement resources and evaluate the IRS's progress in developing a methodology to measure actual revenue collected from specific new enforcement initiatives included in its annual budget requests.

WHAT TIGTA FOUND

The IRS's use of cost/benefit information in managing its enforcement resources could be significantly improved. Specifically, although the IRS informed us that it considers cost/benefit information in making resource allocation decisions, it does not document how or to what extent it uses the information and has no policies or procedures to guide this process.

In addition, TIGTA's review of the cost/benefit statistics produced by the IRS identified that the cost/benefit calculations provide an incomplete picture and understate the actual results of the enforcement programs analyzed by the IRS.

TIGTA also found that the IRS continues to be unable to measure actual revenue from new enforcement

initiatives funded in prior years. TIGTA previously recommended that the IRS develop methods to track actual performance results of initiatives. Although IRS management stated in response to this recommendation that they were working to develop a methodology to determine actual revenue collected from specific enforcement initiatives, TIGTA determined that the IRS has not yet made significant progress in this effort.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Office of the Deputy Commissioner for Services and Enforcement should develop procedures to assist in guiding the use of enforcement program cost/benefit information in comparing resource allocation options. Also, the Chief Financial Officer should conduct an analysis to determine whether there are potential variations for allocation of enforcement revenue from the current cost/benefit model that would provide beneficial information to the IRS. Finally, the IRS should conduct a feasibility analysis to identify the steps necessary to measure actual revenue for new enforcement initiatives.

In their response to the report, IRS officials substantially agreed with our recommendations. The IRS plans to consider the feasibility of developing procedures to assist in guiding the use of enforcement program cost/benefit information when a longer-term research effort is complete and review the current cost/benefit model with an emphasis on analyzing whether the IRS can update the allocation of enforcement revenue to a specific enforcement program. The IRS also plans to document the current challenges that exist in estimating actual revenue for new enforcement initiatives and conduct an analysis to determine the feasibility of overcoming these challenges within existing legislation, systems, and processes.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2013reports/201310104fr.pdf>.

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