



Treasury Inspector General for Tax Administration Office of Audit

CONTROLS OVER RECORDS STORAGE COSTS COULD BE IMPROVED

Issued on September 18, 2014

Highlights

Highlights of Report Number: 2014-10-074 to the Internal Revenue Service Chief of Agency-Wide Shared Services and Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

As of March 2014, the IRS had 5.42 million cubic feet of paper tax records stored at various Federal Records Centers throughout the country. During Fiscal Year 2013, the IRS paid approximately \$33 million for paper tax records storage services. Inefficient management of costs related to records storage reduces the resources the IRS has available to deliver its mission.

WHY TIGTA DID THE AUDIT

The objective of this review was to determine whether the IRS is managing its paper tax records storage needs in a cost-effective manner.

WHAT TIGTA FOUND

TIGTA identified two areas in which controls over records storage costs could be improved. Specifically, TIGTA found that, as of June 2013, the IRS had 238,523 cubic feet of records past due for disposal for which it was obligated to pay ongoing monthly storage costs. As a result, unnecessary costs of more than \$700,000 were incurred for those records. During our audit, the IRS took a number of actions to address the volume of records past due for disposal and minimize future costs. The IRS reduced its volume of records past due for disposal from 238,523 cubic feet as of June 2013 to 16,013 cubic feet as of March 2014.

TIGTA also found that the review process and documentation supporting records storage service invoices were not sufficient to reasonably validate the charges billed for the services. For example, TIGTA's review of the invoice certification process from May 2013 through March 2014 did not identify any evidence that the IRS performed a review of supporting information available from the National Archives and Records Administration or in any way compared the invoiced charges to IRS internal records prior to certifying the invoices for payment. During this period, the IRS paid

the National Archives and Records Administration \$30.8 million for storage services. The IRS acknowledged that the approach used to certify these invoices needed improvement and advised TIGTA that it is in the process of addressing this issue by developing additional guidance specifically focused on reviewing and validating invoice charges.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, Agency-Wide Shared Services, continue to carefully monitor the volume of records past due for disposal and address any delays in timely destruction of those records. In addition, the Commissioner, Wage and Investment Division, in coordination with the Chief, Agency-Wide Shared Services, should ensure that established procedures to verify invoice charges are adhered to prior to certifying payment and review the validity of all charges TIGTA identified as not supported by required documentation.

In their response, the IRS agreed with two of the three recommendations. The IRS plans to continue to monitor the document disposal process. The IRS also plans to take actions to ensure that established procedures, or approved alternative procedures, are followed when certifying invoiced charges. The IRS disagreed with the recommendation regarding reviewing the validity of all charges identified as not supported by required documentation.

TIGTA believes that the \$30.8 million paid for records storage service charges that were not supported by required documentation represents a material amount warranting further review by the IRS.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201410074fr.pdf>