TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Investigative Equipment Was Returned When Criminal Investigation Employees Separated

July 12, 2017

Reference Number: 2017-10-043

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HIGHLIGHTS

INVESTIGATIVE EQUIPMENT WAS RETURNED WHEN CRIMINAL INVESTIGATION EMPLOYEES SEPARATED

Highlights

Final Report issued on July 12, 2017

Highlights of Reference Number: 2017-10-043 to the Chief, Criminal Investigation.

IMPACT ON TAXPAYERS

During Fiscal Year 2016, more than 4,500 employees separated from the IRS, including more than 200 Criminal Investigation employees. Criminal Investigation employees are assigned investigative equipment, such as enforcement badges, weapons, bullet-proof vests, vehicles, radios, and Global Positioning System units. It is important for the IRS to recover this equipment before employees separate to prevent loss of the assets, conversion to personal or illegal use, or sale for profit.

WHY TIGTA DID THE AUDIT

The overall objective of this audit was to determine if the IRS implemented policies and procedures to provide reasonable assurance that investigative equipment is returned when Criminal Investigation employees separate from the IRS.

WHAT TIGTA FOUND

The IRS designed controls to provide reasonable assurance that investigative equipment is returned when Criminal Investigation employees separate. These controls include an electronic and manual process to document the assignment and return of investigative equipment.

TIGTA reviewed inventory reports, clearance checklists, and other documentation for a random sample of 88 Criminal Investigation employees who were assigned investigative equipment and who separated from September 1, 2015, through August 31, 2016, and determined that documentation generally existed for the return and disposal of the equipment and that the equipment's status was updated in the inventory system. In addition, TIGTA requested and received photographic evidence confirming that a judgmental sample of the equipment had been returned and was in the custody of IRS officials.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations as a result of the work performed during this review. However, key IRS officials reviewed this report prior to its issuance and agreed with the facts and conclusions presented.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

July 12, 2017

MEMORANDUM FOR CHIEF, CRIMINAL INVESTIGATION

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Investigative Equipment Was Returned When Criminal Investigation Employees Separated (Audit # 201610021)

This report presents the results of our review to determine if Internal Revenue Service (IRS) management implemented policies and procedures to provide reasonable assurance that investigative equipment is returned when Criminal Investigation employees separate from the IRS. This review is included in our Fiscal Year 2017 Annual Audit Plan and addresses the major management challenge of Security Over Taxpayer Data and Protection of IRS Resources.

The Treasury Inspector General for Tax Administration made no recommendations as a result of the work performed during this review. However, key IRS officials reviewed this report prior to its issuance and agreed with the facts and conclusions presented.

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
CIMIS	Criminal Investigation Management Information System
IRS	Internal Revenue Service
TIGTA	Treasury Inspector General for Tax Administration

Background

> ***During Fiscal Year 2016, 210 permanent, full-time CI employees separated from the IRS.***

Criminal Investigation (CI) is the law enforcement arm of the Internal Revenue Service (IRS) and is responsible for investigating potential crime related to the Internal Revenue Code, such as tax and identity fraud. During Fiscal Year 2016,[1] the IRS had more than 85,000 employees,[2] of which more than 4,500 were full-time, permanent employees who separated through retirement, resignation, death, *etc*. This includes 210 permanent, full-time CI employees who separated from the IRS. It is important for the IRS to recover equipment from CI employees when they separate to prevent loss of the assets, conversion to personal or illegal use, or sale for profit.

CI management uses the Equipment Module within the Criminal Investigation Management Information System (CIMIS)[3] to control and track the issuance and return of investigative equipment, accessories, and supplies assigned to CI employees. The CIMIS accounts for the equipment's location and the individual to which it is assigned and can generate reports about the equipment's acquisition, use, history, and disposal.[4]

- Items valued at $900 or more are required to be entered into the CIMIS. This includes, but is not limited to, digital cameras, vehicles, radio communication equipment, electronic surveillance equipment, night vision equipment, and computers assigned for undercover use or those assigned to the Headquarters Electronic Crimes unit.
- Items valued at less than $900 should be entered into the CIMIS if they are considered sensitive or susceptible to conversion for personal use. This includes, but is not limited to, body armor (*e.g.*, bulletproof vests), Global Positioning System units,[5] firearms, enforcement pocket commissions, and enforcement wallet badges.

When an employee separates from the IRS, the CIMIS equipment coordinator identifies all equipment permanently assigned and temporarily checked out to the employee, and Form 5389-CI, *Criminal Investigation Employee Separation*, is used by the separating

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[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.
[2] Human Resources Reporting Center Population Report for Fiscal Year 2016.
[3] The CIMIS is a web-based application that provides a central location for users with various levels of access to input, monitor, and report on CI employee information, investigative equipment, investigations, and time reporting.
[4] The CIMIS also tracks stored inventory available for assignment or temporary use by employees.
[5] The Global Positioning System is a satellite-based navigation system made up of a network of 24 satellites placed into orbit by the U.S. Department of Defense.

employee's manager to verify that the equipment is returned prior to the employee's separation. The manager and the employee are required to sign the form acknowledging return of the equipment. In addition, one field in the CIMIS database known as "Equipment Notes" is used to document unusual circumstances where equipment is lost, stolen, damaged, or destroyed.

This review was performed with information obtained from the CIMIS database and with information obtained from CI management located in the CI Strategy Office and CI Headquarters in Washington, D.C., and the National Criminal Investigation Training Academy in Glynco, Georgia, during the period July 2016 through May 2017. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

Results of Review

Controls Provide Reasonable Assurance That Assigned Investigative Equipment Is Returned When Employees Separate

Based on our review of documentation for a random sample of 88 CI employees assigned investigative equipment at the time of their separations, we determined that IRS controls provide reasonable assurance that investigative equipment is returned when CI employees separate. Those controls include an electronic and manual process to document the assignment and return of investigative equipment.

We found that CI managers generally documented the return or disposal of equipment assigned to separating employees in our sample. In addition, to further validate the return of the equipment, we traced the reassignment of the equipment to current employees, determined that the CIMIS was generally updated to reflect the current status of equipment, and obtained photographic evidence for a judgmental sample of the equipment to confirm that it had been returned.[6] It is important for the IRS to recover this equipment before the employees separate to prevent loss of the assets, conversion to personal or illegal use, or sale for profit.

Investigative equipment was documented as returned or disposed, and its status was generally updated in the equipment inventory system

We reviewed a random sample[7] of documentation for 88 of the 159 employees who separated from September 1, 2015, through August 31, 2016, for which CIMIS records indicated the employee had been assigned equipment that should be returned.[8] Our review determined that all equipment permanently assigned in the CIMIS to our sample of separating employees was returned or accounted for by CI management prior to the employees' separation.[9]

[6] A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.
[7] See Appendix I for our sampling methodology.
[8] We provided CI management with a list of 210 CI employees who separated from September 1, 2015, through August 31, 2016, and relied on CI management to determine which of the employees had assigned equipment when they separated from the IRS.
[9] We determined that one employee could not locate a Global Positioning System map update card and reimbursed the IRS for its value.

To verify that equipment was recovered, we performed the following steps to reconcile the assigned inventory of each separated employee in our sample:

- Reviewed the current CIMIS Report EQR01, *Custody Receipt for Government Property*, for the employee at the time of separation, or the CIMIS Report EQR01 used for the last inventory validation[10] to identify equipment assigned to the separating employee.
- Compared equipment assigned to the employee to Form 5389-CI to verify that CI managers noted that all equipment was obtained from the employee prior to separation.
- Reviewed CIMIS Report EQR14, *Equipment History of Ownership and Accountability*, to Form 5389-CI to reconcile additions to or deletions from inventory and the equipment's current status.

We found that the status of returned investigative equipment was updated in the CIMIS inventory system when returned. For example, when an employee separated, the equipment's status was updated as reassigned to another agent or as stored in the field office.

To verify that equipment assigned to the 88 employees in our sample was returned, we selected a judgmental sample of 25 equipment items and requested photographs or documentation of disposal for the items. CI management provided photographs, including barcodes, for 22 of the items and documentation of the disposal of the remaining three items. Disposed items included two bullet-proof vests, which are routinely destroyed after CI employee's separate,[11] and a vehicle that was excessed and sold at auction.

According to CI management, 51 (24 percent) of the 210 employees separating from the IRS from September 1, 2015, through August 31, 2016, did not have assigned investigative equipment to return when they separated from the IRS. To confirm that the CIMIS records were accurate, we reviewed a judgmental sample of 20 of these 51 employee separations, including one special agent whose job responsibilities would normally require investigative equipment. Documentation showed that the special agent had been assigned investigative equipment, but it was previously returned.[12] Review of the documentation for the remaining 19 employees in the judgmental sample showed that there was no equipment assigned to them when they separated. These employees included tax fraud investigative assistants, investigative analysts, and other positions not routinely assigned investigative equipment.

[10] A report of the equipment inventory is sent to the Director, Security and Technical Operations, by September 25 of each year.
[11] Bullet-proof vests are unique to the employee and never reused by the agency.
[12] The employee's enforcement badge was reissued and not updated on the CIMIS. However, the badge was returned when the employee separated.

Lost and stolen equipment in stored inventory was documented and reported

In addition to reviewing documentation for the sample of 88 employee separations, we also reviewed the CIMIS Equipment Notes to determine if CI management identified, documented, and reported any lost, stolen, or unreturned equipment for the 159 employees who separated from September 1, 2015, to August 31, 2016. A Global Positioning System map update card permanently assigned to a separating employee was missing and the employee reimbursed the IRS for its value. The CIMIS Equipment Notes and documentation also indicated that 14 items were determined by CI management to be missing from stored inventory during the IRS's Fiscal Year 2015 annual inventory validation or when responsibility was reassigned from one employee to another. These items included radios, radio equipment, and camera lenses with an original cost of almost $70,000, but Forms 1933, *Report of Survey*, for the losses showed the items ranged from eight to 21 years old and had no current value.[13] These equipment items were missing from storage areas overseen by employees who separated during our audit period, and not personal items assigned to employees (the subject of this audit). CI management provided an e-mail documenting that one of the 14 equipment items was reported as stolen to the Treasury Inspector General for Tax Administration (TIGTA) Office of Investigations,[14] as required. The remaining items were not required to be reported to TIGTA. We referred our concern regarding the loss of the stored equipment to CI management.

[13] Upon its final approval by the special agent in charge or the Director, Field Operations, Form 1933 is forwarded to the CIMIS equipment coordinator, who disposes of the item in the CIMIS and records that there is a Form 1933 on file in the Equipment Notes field.
[14] Generally, the Internal Revenue Manual requires the special agent in charge to contact TIGTA to report investigative equipment that is lost, stolen, or missing when there is an allegation of employee misconduct. In addition, the loss of firearms, badges, credentials, and equipment containing Personally Identifiable Information should always be reported.

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to determine if IRS management implemented policies and procedures to provide reasonable assurance that investigative equipment is returned when CI employees separate from the IRS.[1] To accomplish our objective, we:

I. Assessed whether controls were designed to provide reasonable assurance that Government equipment is retrieved when CI employees separate from the IRS.

   A. Reviewed the Internal Revenue Manual to identify controls for assigning investigative equipment to CI employees and for retrieving the equipment when employees separate.

   B. Interviewed CI management and reviewed documentation to determine how the CIMIS is used to control investigative equipment inventory and assure that all investigative equipment is returned when employees separate.

II. Determined if controls were functioning to provide reasonable assurance that investigative equipment is returned when CI employees separate from the IRS.

   A. Obtained an extract of the Treasury Integrated Management Information System[2] and the Treasury Integrated Management Information System Separated Employee File and identified 210[3] former CI employees who separated during the period September 1, 2015, through August 31, 2016. We determined that the data were reliable for our purpose by validating that date fields contained dates, name fields contained names, *etc.*; reviewing run-to-run balancing record counts to verify that all records were obtained; comparing the total number of separations to record counts received from CI management for the period; and matching select information to the CIMIS when reviewing the samples of cases in Steps II.C and II.D.

   B. Obtained CIMIS records for the 210 separated CI employees and found that 51 separated employees did not have equipment assigned and 159 separated employees did have equipment assigned in the CIMIS.

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[1] Our review did not include a validation of equipment not permanently assigned to separated employees, including equipment in stored inventory.

[2] This database contains IRS employee names, addresses, enter-on-duty dates, separation dates, and job series for current and separated IRS employees. These data are available through TIGTA's Data Center Warehouse.

[3] We initially identified 211 separated employees in the CIMIS, but found that one former employee had duplicate records.

C. Selected a judgmental sample of 20 of the 51 separated CI employees without equipment assigned in the CIMIS and reviewed the most recent annual inventory validation; Reports EQR01, *Custody Receipt for Government Property*; and Form 5389-CI, *Separation Checklist*, to determine if employees were issued investigative equipment that was not updated accurately on the CIMIS.

D. Selected a random sample of 88 of the 159 separated CI employees who were assigned equipment in the CIMIS. Our sample plan was reviewed by a contract statistician and used the following criteria: a 95 percent confidence level, a 5 percent precision rate, and an estimated 13.5 percent error rate. For the 88 sampled employee separations, we reconciled the most recent annual inventory validation listing to Forms 5389-CI to assure that all equipment was retrieved from separated CI employees. We traced the retrieved equipment to CIMIS Report EQR14, *Equipment History of Ownership and Accountability*, and identified the current status and location of all investigative equipment items assigned to the employees. We selected a judgmental sample of 25 equipment items recorded as returned and updated in the CIMIS and requested that CI management provide photographs of the serial numbers for the equipment or documentation of its disposal.

E. Obtained and reviewed a CIMIS Equipment Notes report for the population of employees who separated from September 1, 2015, through August 31, 2016, for which CIMIS records indicated the employee had been assigned equipment that should be returned, and determined whether CI management had documented any unusual activity or circumstances, such as disposed, lost, stolen, or damaged equipment.

F. Determined if lost, stolen, or missing investigative equipment was reported to the TIGTA Office of Investigations.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the CI process for assigning and retrieving equipment from separating employees. We evaluated these controls by interviewing CI management, reviewing records for assigning and retrieving equipment from CI employees, and reviewing records for validating inventory and disposing of equipment.

Appendix II

Major Contributors to This Report

Gregory D. Kutz, Assistant Inspector General for Audit (Management Services and Exempt Organizations)
Troy D. Paterson, Director
Gerald T. Hawkins, Audit Manager
Yolanda D. Brown-Alexander, Lead Auditor
Julia Moore, Lead Auditor

Appendix III

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