

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Independent Attestation Review of the IRS's Fiscal Year 2025 Budget Formulation Compliance Report and Detailed Accounting Report of Drug Control Funds

February 20, 2026

Report Number: 2026-100-008

HIGHLIGHTS: Independent Attestation Review of the IRS's Fiscal Year 2025 Budget Formulation Compliance Report and Detailed Accounting Report of Drug Control Funds

Final Audit Report issued on February 20, 2026

Report Number 2026-100-008

Why TIGTA Did This Audit

This review was conducted as required by the Office of National Drug Control Policy (ONDCP), established under the Anti-Drug Abuse Act of 1988. The ONDCP Circular requires all National Drug Control Program agencies to submit budget formulation information and a detailed accounting of all funds expended during the previous fiscal year to the ONDCP by February 1 of each year. The deadline for the Fiscal Year 2025 report was extended to March 1, 2026, due to the extended government shutdown.

Further, the ONDCP Circular requires agencies to provide these reports to their Inspectors General for review before its submission to express a conclusion about the reliability of the reported assertions.

Impact on Tax Administration

The IRS supports the ONDCP's mission through its Criminal Investigation division's contributions to multi-jurisdictional task forces. These law enforcement efforts assist in disrupting transnational drug trafficking and money laundering organizations using the U.S. financial system. Complete and reliable financial information is critical to the IRS's ability to accurately report program results to internal and external stakeholders, including taxpayers.

What TIGTA Found

We conducted an independent attestation review of the IRS's ONDCP Budget Formulation Compliance Report and Detailed Accounting Report for Fiscal Year 2025, which ended on September 30, 2025. The reports were prepared pursuant to the National Drug Control Policy and the ONDCP Circular. IRS management is responsible for preparing the reports and the accuracy of the related assertions. Our responsibility was to express a conclusion on the reliability of management's assertions based on a review conducted under applicable attestation standards.

We conducted the review in accordance with attestation standards established by the American Institute of Certified Public Accountants and in compliance with generally accepted government auditing standards. These standards require independence, ethical compliance, and that we perform the review to obtain limited assurance about whether any material modifications should be made to management's assertions to be in accordance with the criteria.

Based on our review, we are not aware of any material modifications necessary for the assertions to be fairly stated and in accordance with the ONDCP Circular.

What TIGTA Recommended

We made no recommendations as a result of this review.



**TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION**

**U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20024**

February 20, 2026

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Diana M. Tengesdal
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Independent Attestation Review of the IRS’s Fiscal Year 2025 Budget Formulation Compliance Report and Detailed Accounting Report of Drug Control Funds (Audit No.: 2026100001)

This report presents the results of our independent attestation review of the Internal Revenue Service’s reporting of Fiscal Year 2025 Office of National Drug Control Policy budget formulation information and funds expended for the purpose of expressing a conclusion about the reliability of each assertion made in the Budget Formulation Compliance Report and Detailed Accounting Report. This review is part of our Fiscal Year 2026 Program Plan and addresses the major management and performance challenge of *Improving Operational Efficiencies*.

If you have any questions, please contact me or LaToya P. George, Acting Assistant Inspector General for Audit (Taxpayer Services and Operational Support).

Table of Contents

<u>Background</u>	Page 1
<u>Results of Review</u>	Page 1
<u>Summary of the Independent Attestation Review of the IRS's Fiscal Year 2025 Office of the National Drug Control Policy Submission</u>	Page 1
Appendices	
<u>Appendix I – Detailed Objective, Scope, and Methodology</u>	Page 3
<u>Appendix II – IRS's Fiscal Year 2025 Budget Formulation Compliance Report and Detailed Accounting Report</u>	Page 5
<u>Appendix III – Abbreviations</u>	Page 10

Background

The Anti-Drug Abuse Act of 1988 established the Office of the National Drug Control Policy (ONDCP) to set priorities, implement a national strategy, and certify federal government drug control budgets.¹ The Internal Revenue Service (IRS) is a National Drug Control Program agency and supports ONDCP's mission through its Criminal Investigation (CI) division.² CI contributes to multi-jurisdictional task forces and law enforcement efforts to disrupt transnational drug trafficking and money laundering organizations using the U.S. financial system. CI's role in federal anti-drug efforts is to reduce or eliminate the financial gains (profits) of major narcotics trafficking and money laundering organizations through its unique financial investigative expertise and statutory authority.

The ONDCP Circular: *National Drug Control Program Agency Compliance Reviews*, dated September 2021, requires National Drug Control Program agencies to submit a Detailed Accounting Report to the ONDCP by February 1 of each year. The report provides a detailed accounting of funds expended (ONDCP guidance requires amounts obligated) and related assertions by the agency during the previous fiscal year. For Fiscal Year (FY) 2025, this reporting deadline was extended until March 1, 2026, due to the extended government shutdown. Agencies must also submit a Budget Formulation Compliance Report, which includes the agency drug control budget request and related assertions as part of their annual submission to the ONDCP.

The ONDCP Circular also requires agencies to provide these reports to their Inspectors General to express a conclusion about the reliability of the reported assertions. Complete and reliable financial information is critical to the IRS's ability to accurately report program results to internal and external stakeholders, including taxpayers. The ONDCP Circular requires Inspector General reviews at least once every three years. Our prior review of the IRS's ONDCP submission was conducted for FY 2023.³

Results of Review

Summary of the Independent Attestation Review of the IRS's Fiscal Year 2025 Office of the National Drug Control Policy Submission

Based on our review (conducted following applicable attestation standards) we are not aware of any material modifications necessary for IRS management's assertions to be fairly stated in accordance with the ONDCP Circular. We reviewed the assertions in the IRS's ONDCP Budget Formulation Compliance Report and Detailed Accounting Report for FY 2025, which ended

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 TIGTA, Report No. 2024-100-014, *Independent Attestation Review of the Internal Revenue Service's Fiscal Year 2023 Budget Formulation Compliance Report and Detailed Accounting Report of Drug Control Funds* (December 2023).

**Independent Attestation Review of the IRS's Fiscal Year 2025 Budget Formulation
Compliance Report and Detailed Accounting Report of Drug Control Funds**

September 30, 2025.⁴ The reports were prepared pursuant to the National Drug Control Policy and the ONDCP Circular.⁵ IRS management is responsible for preparing the reports and their assertions. Our responsibility was to express a conclusion on the reliability of management's assertions based on our review.

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. These standards require that we maintain independence, meet ethical responsibilities, and perform the review to obtain limited assurance about whether any material modifications should be made to management's assertions to be in accordance with the criteria. The procedures performed in an attestation review vary in nature and timing and are substantially less in scope than an examination. The objective of an examination is to obtain reasonable assurance about whether management's assertions are fairly stated or are in accordance with the criteria, in all material respects to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of a review, the level of assurance obtained is substantially lower than that of an examination. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

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

⁴ Appendix II presents the IRS's FY 2025 Budget Formulation Compliance Report and Detailed Accounting Report.

⁵ 21 U.S.C. § 1704 (d).

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to perform an independent attestation review of the IRS's reporting of Fiscal Year 2025 ONDCP budget formulation information and funds expended for the purpose of expressing a conclusion about the reliability of each assertion made in the Budget Formulation Compliance Report and the Detailed Accounting Report. To accomplish our objective, we:

- Obtained an understanding of the process used to prepare the Fiscal Year 2025 Budget Formulation Compliance Report and Detailed Accounting Report.
- Evaluated the reasonableness of the methodology used to report funds expended for the National Drug Control Program activities.
- Performed selected reviews of reported obligations in the Detailed Accounting Report.
- Evaluated the reasonableness of the methodology used to report budget formulation information for National Drug Control Program activities.
- Performed selected reviews of reported budget resources in the Budget Formulation Compliance Report.

Performance of This Review

This review was conducted as required by the ONDCP. This review was performed with information obtained from the IRS Headquarters office of the Chief Financial Officer and the Chief, Criminal Investigation, in Washington, D.C., during the period December 2025 through February 2026. 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 (an examination) is to obtain reasonable assurance about whether management's assertions are in accordance with the criteria in all material respects to express an opinion. Accordingly, we do not express such an opinion. 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. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our objective.

Data Validation Methodology

We performed this review with data obtained from the IRS's CI Management Information System and Integrated Financial System. We evaluated the data by (1) performing electronic testing of required data elements, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for purposes of this report.

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

**Independent Attestation Review of the IRS's Fiscal Year 2025 Budget Formulation
Compliance Report and Detailed Accounting Report of Drug Control Funds**

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: ONDCP circulars and guidance issued to drug control agencies. We reviewed these circulars and guidance as part of our review.

**IRS's Fiscal Year 2025 Budget Formulation
Compliance Report and Detailed Accounting Report**



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

January 28, 2026

MEMORANDUM FOR Diana Tengesdal
Deputy Inspector General for Audit

FROM: Todd Egaas **Todd O. Egaas** Digitally signed by Todd O. Egaas
Date: 2026.01.29 11:31:24 -05'00'
Associate Chief Financial Officer for Corporate Budget

SUBJECT: Attestation Review of the Internal Revenue Service's
Fiscal Year 2025 Accounting of Drug Control Funds
(Audit # 2026100001)

The purpose of this memorandum is to transmit the Internal Revenue Service's FY 2025 Budget Formulation Compliance and Detailed Accounting Reports. The Budget Formulation Compliance Report includes (a) FY 2025 summer budget formulation transmittal, resource summary table and the Detailed Accounting Report, with assertions by the CFO or accountable senior executive relating to the summer budget formulation information. These documents are submitted as directed by the Office of National Drug Control Policy (ONDCP Circular entitled *National Drug Control Program Agency Compliance Reviews*) dated September 9, 2021.

If you have any questions, please contact me at 202-317-3987, or have a member of your staff contact Barri Sauber, Acting Director Budget Formulation at 212-436-1590.

Attachment A: FY 2027 Summer Drug Budget Transmittal Email
Attachment B: FY 2027 Summer Drug Budget Resource Summary Table
Attachment C: FY 2025 Detailed Accounting Submission

**Independent Attestation Review of the IRS's Fiscal Year 2025 Budget Formulation
Compliance Report and Detailed Accounting Report of Drug Control Funds**

**INTERNAL REVENUE SERVICE
National Drug Control Program Agency Compliance Review**

Budget Formulation Compliance Report:

Attachment A:

a. FY 2027 Summer Budget Formulation Information

(1) Summer Drug Budget Transmittal. The FY 2027 Summer Drug Budget was transmitted to ONDCP on June 26, 2025, under ONDCP Circular: Budget Formulation Section 9.a.(1)

Attachment B:

(2) Summer Drug Budget Resource Summary Table.

Resource Summary

Budget Authority (in Millions)			
	FY 2025 Enacted	FY 2026 Request	FY 2027 Request
Drug Resources by Decision Unit			
Criminal Investigation	\$60.257	\$55.257	\$60.257
Total Drug Resources by Decision Unit			
Drug Resources by Function			
Investigations	\$60.257	\$55.257	\$60.257
Total Drug Resources by Function			
Drug Resources Personnel Summary			
Total FTEs (direct only)	295	268	295
Drug Resources as a Percent of Budget			
Total Bureau's Budget (in Billions)	\$12.3	\$9.8	\$9.8
Drug Resources Percentage	0.5%	0.6%	0.6%

b. Assertions

Timeliness of Summer Budget Submission: was provided to ONDCP at the same time it was submitted to superiors in accordance with 21 U.S.C. §1703(c)(1)(A).

Funding Levels represent Bureau- Level request: The funding request in the submission provided in Section represent the funding levels in the budget submission made by the bureau to the Department without alteration or adjustment by any official at the Department.

**Independent Attestation Review of the IRS's Fiscal Year 2025 Budget Formulation
Compliance Report and Detailed Accounting Report of Drug Control Funds**

**Attachment C: INTERNAL REVENUE SERVICE
DETAILED ACCOUNTING REPORT**

a. FY 2025 Drug Control Funding Obligations

(1) Table of FY 2025 Drug Control Obligations

	Narcotics
Drug Resources by Decision Unit	
Criminal Investigation	<u>\$104,432,100</u>
Total	\$104,432,100
Drug Resources by Control Function	
Investigations	<u>\$104,432,100</u>
Total	\$104,432,100

(2) Drug Methodology

- a) All Drug Control Obligations (the resources appropriated and available for these activities) are reported under one Decision Unit and one Control Function, as shown in the above chart.
- b) The Internal Revenue Service (IRS) Drug Control Budget encompasses the Criminal Investigation's (CI) Narcotics Program¹. CI's overall Direct Investigative Time (DIT) applied to narcotics investigations for FY 2025 was 11.18 percent of the agency's total DIT.

The methodology for computing the resources appropriated and realized for the Narcotics Program is the application of DIT attributable to narcotics investigations. The Narcotics DIT percentage is applied to the total realized appropriated resources for a year, excluding reimbursable and Earned Income Tax Credit (EITC) funds, 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 was effective for FY 2014 and all subsequent fiscal years.

¹ The IRS-CI Narcotics Program consists of five sub-programs that include: 1. Organized Crime Drug Enforcement Task Forces (OCDETF)/Homeland Security Task Force (HSTF); 2. High Intensity Drug Trafficking Area (HIDTA); 3. HIDTA-OCDETF/HSTF; 4. Terrorism-OCDETF/HSTF; and 5. Narcotics-Other.

*On July 25, 2025, OCDETF transferred all cases and task forces to the Homeland Security Task Forces in accordance with Deputy Attorney General (DAG) Blanche's memorandum on July 23, 2025, titled Transitioning Organized Crime Drug Enforcement Task Forces (OCDETF) Resources for Homeland Security Task Forces (HSTF).

(3) Methodology Modifications

No changes or modifications in the DIT computation methodology from the prior year were made.

(4) Material Weaknesses or Other Findings

No material weaknesses or other findings by independent sources, or other known weaknesses have been identified.

(5) Reprogramming or Transfers

No reprogramming or transfers were made.

(6) Other Disclosures

No disclosures to report.

b. Assertions

(1) Obligations by Budget Decision Unit

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

(2) Drug Methodology

The current methodology used to calculate obligations of prior-year budgetary resources has not changed. The drug methodology used is reasonable and accurate.

a) Data

Data is derived from CIMIS to determine the DIT applied to CI's Narcotics Program. Each CI special agent submits CIMIS time reports monthly detailing their 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 2025 in the CI Appropriated Enforcement Budget (excluding reimbursables and EITC funds).

b) 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 7a (2) of the ONDCP Circular: National Drug Control Program Agency Compliance Reviews. Calculations made using this methodology are sufficiently documented to independently reproduce all data and ensure consistency between reporting years.

(4) Material Weakness or Other Findings

Independent sources, or other known weaknesses, including those identified in the Agency's Annual Statement of Assurance, which may affect the presentation of prior year drug-related obligations as required by Section 7.a.(4) have been disclosed.

(5) Methodology Modifications

No modifications were made to methodology for reporting drug control resources from the previous year's reporting.

(6) Reprogramming or Transfers

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

(7) Fund Control Notices

Criminal Investigation asserts 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.

Appendix III

Abbreviations

CI	Criminal Investigation
IRS	Internal Revenue Service
ONDCP	Office of the National Drug Control Policy
TIGTA	Treasury Inspector General for Tax Administration



**To report fraud, waste, or abuse,
contact our hotline on the web at
<https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at www.tigta.gov/form/suggestions.**

Information you provide is confidential, and you may remain anonymous.