



Department of Energy
Washington, DC 20585

November 24, 2021

The Honorable J. Russell George
Inspector General
Treasury Inspector General for Tax Administration
City Center Building
1401 H Street, NW Suite 469
Washington, DC 20005

Dear Mr. George,

Enclosed is the *External Peer Review Report* of the Treasury Inspector General for Tax Administration audit organization conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. Your response is included in Enclosure 2 of the report.

We appreciated the cooperation and assistance from your staff during the review.

Sincerely,

A handwritten signature in black ink, appearing to read "Teri L. Donaldson", with a long, sweeping underline.

Teri L. Donaldson
Inspector General
Department of Energy

Enclosures:
System Review Report
Scope and Methodology
Treasury Inspector General for Tax Administration Response



Department of Energy
Washington, DC 20585

November 24, 2021

The Honorable J. Russell George
Inspector General
Treasury Inspector General for Tax Administration
City Center Building
1401 H Street, NW Suite 469
Washington, DC 20005

Dear Mr. George:

We have reviewed the Treasury Inspector General for Tax Administration (TIGTA) audit organization's system of quality control in effect for the year ending March 31, 2021. Our review covered generally accepted government auditing standards engagement reports issued from April 1, 2020, through March 31, 2021. The review also included Internal Quality Assurance Review reports and related documentation issued during the period April 1, 2019 through March 31, 2020.

A system of quality control encompasses the TIGTA audit organization's structure as well as policies adopted and procedures established to provide TIGTA with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*, and TIGTA is responsible for establishing and maintaining a system of quality control, designed to provide reasonable assurance that the organization and its personnel are complying with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of TIGTA's system of quality control as well as its compliance with it.

We conducted our review in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed TIGTA personnel and obtained an understanding of the nature of TIGTA's audit organization and the design of its system of quality control, which was sufficient to assess the risks implicit in its audit function. Based on our assessment, we selected audits and administrative files to test for conformity with professional standards and compliance with TIGTA's system of quality control. The audits selected represented a reasonable cross-section of TIGTA's audit organization, with an emphasis on higher-risk audits. Before concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with TIGTA management to discuss the results. We believe our procedures provide a reasonable basis for our opinion.

In our review, we obtained an understanding of the system of quality control for TIGTA's audit organization. In addition, we tested compliance with TIGTA's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of TIGTA's policies and procedures on selected audits. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance.

As there are inherent limitations in the effectiveness of any system of quality control, noncompliance with the system may occur and go undetected. Projecting any evaluation of a system of quality control to future periods is subject to risk when the system of quality control becomes inadequate because of changes in conditions or because the degree of compliance with the policies or procedures deteriorate.

Enclosure 1 identifies the TIGTA audits we reviewed. Enclosure 2 contains your response to the formal draft.

In our opinion, the TIGTA audit organization's system of quality control in effect for the fiscal year ended March 31, 2021, was suitably designed and followed to provide TIGTA with reasonable assurance of performing and reporting in accordance with applicable professional standards in all material respects. Audit organizations can receive a rating of "pass," "pass with deficiencies," or "fail." TIGTA has received an External Peer Review rating of "pass." We have issued a letter that sets forth findings we considered of insufficient significance in affecting our opinion expressed in this report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Teri L. Donaldson".

Teri L. Donaldson
Inspector General
Department of Energy

Enclosures

SCOPE AND METHODOLOGY

We tested compliance with the Treasury Inspector General for Tax Administration's (TIGTA) audit organization's system of quality control to the extent we considered appropriate. We reviewed 11 engagements performed under generally accepted government auditing standards. This consisted of nine engagements from April 1, 2020, through March 31, 2021. Of these nine engagements, one was terminated before fieldwork was completed. We also reviewed two engagements from April 1, 2019, through March 31, 2020, to assess the sufficiency of TIGTA's Internal Quality Assurance Review.

We invited TIGTA staff to participate in a questionnaire to determine how effectively TIGTA's quality control and assurance policies were communicated and to obtain staff views about the Agency's adherence to those policies and procedures. We also reviewed the training records of selected employees to determine whether they had obtained the required continuing professional education. We determined the training data received from TIGTA was sufficiently reliable given our objective and intended use of the data.

Table 1 identifies nine engagements from April 1, 2020, through March 31, 2021.

Table 1: TIGTA Engagements from April 1, 2020, through March 31, 2021

Reference Number	Report Date	Report Title
2020-10-018	May 22, 2020	<i>Additional Actions Could Improve Compliance With Early Retirement Distribution Tax Requirements</i>
2020-30-026	June 15, 2020	<i>Withholding Compliance Efforts for Partnerships With Foreign Partners Can Be Improved</i>
2020-40-021	June 17, 2020	<i>Continued Efforts Are Needed to Address Billions of Dollars in Reporting and Payment Discrepancies Relating to Tax Withheld From Foreign Persons</i>
2020-20-033	July 31, 2020	<i>Most Internal Revenue Service Applications Do Not Have Sufficient Audit Trails to Detect Unauthorized Access to Sensitive Information</i>
2020-10-069	September 9, 2020	<i>Controls Over Offset Bypass Refunds Processed by the Taxpayer Advocate Service Should Be Improved to Reduce the Risk of Abuse and Allow for More Consistent Treatment of Taxpayers</i>
2020-20-060	September 25, 2020	<i>Process Automation Benefits Are Not Being Maximized, and Development Processes Need Improvement</i>
2020-40-052	September 29, 2020	<i>Processes Do Not Ensure That Taxpayers Filing an Incorrect Form 1120 Series Tax Return Are Appropriately Assessed Tax</i>
2021-30-015	March 10, 2021	<i>High-Income Taxpayers Who Owe Delinquent Taxes Could Be More Effectively Prioritized</i>
N/A	Cancellation Date: July 22, 2020	<i>Controls Over the Accuracy and Timeliness of Excise Tax Reporting and Distribution</i>

Table 2 identifies two engagements from April 1, 2019, through March 31, 2020.

Table 2: TIGTA Engagements from April 1, 2019, through March 31, 2020

Reference Number	Report Date	Report Title
2019-10-015	June 10, 2019	<i>International Travel Claims With Unallowable or Unsupported Expenses Were Certified for Payment by Approving Officials.</i>
2019-20-061	September 24, 2019	<i>Firewall Administration Needs Improvement</i>



INSPECTOR GENERAL
FOR TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20005

November 3, 2021

The Honorable Teri L. Donaldson
Inspector General
United States Department of Energy
1000 Independence Avenue, SW
Washington, D.C. 20585

Dear Ms. Donaldson:

Thank you for the opportunity to comment on your draft external peer review report of the Treasury Inspector General for Tax Administration received by our office on October 14, 2021. We are pleased to receive a peer review rating of *Pass*. We appreciate the review team's periodic briefings on their review results and the opportunity to discuss our questions and perspective on their preliminary findings.

We are firmly committed to maintaining an effective system of quality controls and work continuously to improve our operations. We have provided a separate response to the findings and recommendations outlined in your Letter of Comment.

We would like to thank the Department of Energy Office of the Inspector General peer review team for its thorough review of our operations.

If you have any questions regarding the response, please contact Michael E. McKenney, Deputy Inspector General for Audit, at (202) 622-6510.

Sincerely,

A handwritten signature in black ink that reads "J. Russell George".

J. Russell George
Inspector General