

GAO

Testimony

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IRS Data on Investigations
of Alleged Employee Misconduct

Statement of
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Before the
Subcommittee on Commerce, Consumer and Monetary
Affairs
Committee on Government Operations
House of Representatives



INTERNAL SECURITY MANAGEMENT INFORMATION SYSTEM
STATEMENT OF JENNIE S. STATHIS
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The Internal Revenue Service (IRS) maintains data on Internal Security Division investigations, many of which involve alleged employee misconduct. The data is contained in the Internal Security Management Information System and is used by Internal Security officials to make operational and workload decisions.

GAO concluded that the data had limited value in describing the nature and results of IRS' employee misconduct investigations. The data were unreliable because of the extensive number of invalid codes used to characterize the data. These invalid codes were in the system because of insufficient validity checks. Internal Security officials recognize that the current system has problems and have been trying to replace it for several years. In 1988, they started developing a new system with additional validity checks so that incomplete or illogical data will not be accepted.

Because IRS is still developing and testing the system, it is too early to determine how effective this system will be. While it appears that the new system should provide more useful data because of better validity checks, caution still should be exercised when using the data. Internal Security officials plan to correct only some data in the old system before converting the database to the new system. Consequently, these data will still be of limited use for analytical purposes. Also, because IRS closes cases after the investigative work is finished but before all final dispositions occur, such as any administrative or criminal prosecution results, the dispositions may not be tracked and inputted into the new system. Further, the new system is being developed under tight timeframes, which may not be sufficient to fully test the system before implementing it.

Also, GAO shares IRS Internal Audit's concerns that Internal Security has not yet (1) documented and communicated what management expects the system to do, (2) documented how the system has been developed and is to be tested, and (3) developed a plan for periodically reviewing the accuracy of data.

GAO supports IRS' efforts to improve the Internal Security Management Information System and encourages IRS to take action to minimize any problems before the system becomes fully operational. IRS management is aware of GAO's concerns and the importance of effectively developing, testing and implementing this new system.

Mr. Chairman and Members of the Subcommittee:

We are here today to present our observations on the Internal Revenue Service's (IRS) Internal Security Management Information System. IRS officials use the system to make operational and workload decisions about IRS' investigations of alleged misconduct by its employees. Our testimony is primarily based on a November 1988 report,¹ prepared at the Subcommittee's request, on the validity and usefulness of data in the current system. It also gives our views, as you requested, on a new Internal Security information system, which is under development.

We concluded that the data in the current system could not be used to reliably portray the nature and results of IRS' employee misconduct investigations. The data were unreliable because of the extensive number of invalid codes used to characterize the data. These invalid codes were allowed to be entered into the system because of insufficient validity checks. Internal Security officials recognize that the current system has problems and have been trying to replace it for several years. While it appears that the new system should provide more useful data because of better validity checks, concerns about the new system still exist.

¹IRS' Data on Its Investigations of Employee Misconduct, (GAO/GGD-89-13, Nov. 18, 1988).

BACKGROUND

IRS' Internal Security Division investigates allegations of bribery, assaults and threats against IRS employees, embezzlement, and employee misconduct. Extensive statistical data on these investigations is maintained in Internal Security's Management Information System. Internal Security developed this system in 1977 to help make operational decisions about its budgets, assignments, and plans.

To enter data into the system, investigators in Internal Security, usually in field offices, have to enter prescribed numeric codes, as listed in the information system manual, onto standardized forms to describe characteristics of each case (e.g., grade of investigated employee, or type of alleged violation). These coded forms are to be reviewed by regional Internal Security management and forwarded to the National Office. From there, the coded data on the forms are keyed into the system. Until fiscal year 1989, IRS contracted out the keying operation. Due to problems with the contractor, IRS staff in the National Office have assumed responsibility for keying in the data.

The information system contains, among other things, data on two types of cases: special inquiry and conduct. A special inquiry case is to be opened when an investigator lacks enough

information on the alleged violations or on the accused employee, or when the investigator doubts the reliability of the person making an allegation. A conduct case is to be opened whenever an investigator has enough information about the specific violations, the employees involved, and the reliability of the allegation.

INVESTIGATION DATA HAVE LIMITED VALUE

Mr. Chairman, in August 1988, you asked us to analyze data IRS had provided you from this information system. The analysis of the data was to supply a broad perspective on IRS' investigations of employees' alleged misconduct. The data described 1,228 special inquiry and 2,633 conduct cases that the system showed as having been closed between 1984 and 1987. Our review of this data raised serious questions about its reliability and we concluded that the data had limited value in describing the nature and results of the investigations.

The data were unreliable because of the extensive number of invalid codes used to describe such characteristics of cases as the type of employee investigated or the results of the investigation. Invalid codes are those not listed among Internal Security's prescribed codes. For example, if the prescribed codes for a case characteristic were one to five, a different numeric code such as zero or six would be invalid because it has

no meaning. According to IRS officials, invalid codes result because of insufficient validity checks in the system.

Consequently, the data did not describe where over 40 percent of the 1,228 special inquiry investigations took place. In addition, the data did not reflect important characteristics of many conduct cases. For example, of the 2,633 conduct cases, we could not identify

-- the basic characteristics (e.g. type of violation, grade of employee) for 17 percent;

-- IRS' actions (e.g., employee cleared, suspended, removed) for 29 percent;

-- IRS' referrals for criminal prosecution for 57 percent; and

-- the results of criminal prosecution (e.g., guilty, case dismissed) for 83 percent.

Internal Security officials agreed that the information system contains invalid codes and insufficient data validity checks. They did not agree, however, with our view that a zero is an invalid code, even though zero is not listed in the manual as a prescribed code. While acknowledging that zero could have different meanings, these officials assumed that a zero usually

meant that no entry was required or necessary. Our analysis of the data shows that this assumption is faulty.

Let me give you one example. In 41 conduct cases, we found a zero in the data field on "referral for criminal prosecution." Using IRS' assumption, we would have concluded that no criminal referral was made to either U.S. Attorneys or state or local prosecutors, and that no criminal prosecution took place. In fact, the system showed codes for criminal prosecution results in these cases. IRS officials agreed these cases had invalid codes, but said case files would have to be reviewed to correct them.

Internal Security officials have been trying to replace this system for several years. In June 1988, they started developing a new system with additional validity checks so that incomplete or illogical data would not be accepted.

IRS IS TRYING TO MAKE

INVESTIGATION DATA MORE USEFUL

In reviewing the development of the new system, we met with Internal Security management and the staff responsible for developing this system. We reviewed available documentation, including the types of data, the codes used to describe the data, and the types of checks used to ensure the validity of the coded

data. We also reviewed IRS Internal Audit's April 14, 1989, memorandum on this new system. Finally, we attended a demonstration of how the new system is expected to work.

Because IRS is still developing and testing the new system, it is too early to determine how effective the system will be. The design of the new system does, however, provide for better data. If IRS effectively implements this design, the data should be

-- more timely because regional Internal Security staffs are to input data directly into the system, as opposed to the current process in which data is sent into the National Office for centralized review and input, and

-- more reliable because of checks that will not allow invalid codes to be entered into the information system; like, in our example, the new checks would not accept a zero or six in a data field where the valid codes were one to five.

In addition, IRS plans to provide more specific codes to better define characteristics of investigations, such as codes for all potential grades of employees being investigated. They also plan to have definitions for all numeric codes that can be used, including zeros.

Even with these improvements, caution should be exercised in using the data. For example:

-- Internal Security officials plan to correct only some of the invalid data in the old system before converting the database to the new system. They said they will correct obvious coding mistakes, but will not review case files to check whether data had been correctly input to the system.

-- Internal Security treats cases as closed when the investigative work is completed, even though the final disposition--such as an employee cleared, suspended, terminated, or prosecuted--has not occurred. Because the cases are considered closed and eliminated from the investigator's inventory, the investigator has less incentive to track the cases to insure the dispositions are eventually inputted into the new system. Internal Security officials acknowledged that keeping cases open until the dispositions occur may have merit and said they will review this matter after implementing the new system.

-- The new system is being developed under tight timeframes. IRS officials assured us that the development is not being driven by timeframes and they recently allowed 6 more weeks to test the new system. In our view, considering the work that remains, even this additional time may not be enough to

properly test the new system. We would, therefore, encourage IRS to fully document and test the system before proceeding with its implementation.

We also share Internal Audit's concerns, expressed in its April 14, 1989, memorandum, that Internal Security officials have not yet documented and communicated what management expects from the system. As a result, it is unknown whether the new system will meet management needs. Also, these officials have not documented the requirements and computer programs needed to develop the new system. Without documentation, Internal Security may have difficulty in testing, operating, maintaining, and refining the new system. Specifically, the Regional Internal Security staffs, who are to now input data and maintain the system, may not fully understand how to operate the system. Lastly, Internal Security officials have not developed a plan for periodically reviewing data accuracy. Without a plan, they have no assurances that they will be able to identify and correct any inaccurate data that may have entered the system. These officials said action will be taken to correct these problems, and Internal Audit officials said they plan to follow up on the actions taken.

I would like to point out that the problems that Internal Security has had in its information system are not unique. In

our overall management review of IRS,² we cited problems that IRS was having in managing its outdated and ineffective information systems. We also recommended several steps that IRS could take to improve such management. In addition, we reported in 1988 that 76 percent of closed criminal cases in the special enforcement program³ contained inaccurate or incomplete management information. We also concluded that management information on key program objectives, such as investigating major criminals and pursuing tax revenues from completed cases, was not available. Criminal Investigation officials are currently taking actions to implement our recommendations to make its management information more accurate, complete, and useful.

We support IRS' efforts to improve the timeliness and accuracy of its management information. We raised these concerns now so that action can be taken to minimize any problems before the system becomes fully operational. Internal Security management is aware of our concerns, and the importance of effectively developing, testing and implementing this new system.

This concludes my statement. I would be pleased to answer any questions.

²Actions Needed to Assure Quality Service in the Future (GAO/GGD-89-1, Oct.14, 1988).

³Investigating Illegal Source Income--Success Uncertain, Improvements Needed (GAO/GGD-88-61, Apr.25, 1988).