



TAX ADMINISTRATION

IRS and TIGTA Should Evaluate Their Processing of Employee Misconduct under Section 1203

Highlights of [GAO-03-394](#), a report to the Chairman and Ranking Minority Member, Committee on Finance, U. S. Senate

Why GAO Did This Study

Section 1203 of the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 outlines conditions for firing IRS employees for any of 10 acts of misconduct covering taxpayer and employee rights and tax return filing requirements. Both IRS and the Treasury Inspector General for Tax Administration (TIGTA) have responsibilities related to section 1203. Because of concerns that section 1203 may have a chilling effect on IRS enforcement staff's productivity, GAO (1) determined the number of section 1203 allegations, (2) surveyed IRS employee perceptions about section 1203, and (3) identified problems IRS and TIGTA face in processing section 1203 cases and the extent to which they have addressed them.

What GAO Recommends

GAO recommends that IRS and TIGTA coordinate on an approach for evaluating the section 1203 process to include results-oriented goals for processing section 1203 cases, performance measures that assess progress towards these goals, and means to collect and analyze related performance data.

In commenting on a draft of this report, IRS agreed with GAO's recommendation that a coordinated evaluation of the section 1203 process is desirable and TIGTA neither agreed nor disagreed. However, both raised a similar concern about the independence of each agency.

www.gao.gov/cgi-bin/getrpt?GAO-03-394.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Jim White at (202) 512-9110 or whitej@gao.gov.

What GAO Found

IRS data show that of the 3,970 section 1203 allegations IRS received from July 1998 through September 2002, IRS or TIGTA completed investigations on 3,512 allegations and substantiated 419 as violations, resulting in 71 employees being fired for section 1203 misconduct. Employee misconduct related to the two section 1203 provisions on whether employees filed their tax returns on time and accurately stated their tax liability (as opposed to the eight taxpayer and employee rights provisions) accounted for almost all of the violations and firings.

Most of the IRS frontline enforcement employees who responded to GAO's survey said that they understood, but feared, section 1203. They also reported that, because of section 1203, their work takes longer and the likelihood of their taking an enforcement action, such as recommending a seizure, has decreased. However, employees also were more likely to say that other factors, such as IRS's reorganization, have had a greater impact on their ability to do their job than to say that section 1203 had a greater impact.

IRS and TIGTA have taken steps intended to correct known problems in their processing of section 1203 employee misconduct cases—such as lengthy investigations and conflicts of interest during investigations—that may have negatively affected frontline employees' morale and productivity. However, the extent to which these steps have succeeded is unknown because IRS and TIGTA do not have a coordinated approach for evaluating how effectively they process section 1203 cases. Such an approach would include results-oriented goals, balanced performance measures to mark progress towards these goals, and means to collect performance data.

Extent to Which IRS Employees Said They Feared Section 1203

	Very fearful	Somewhat fearful	A little/not at all fearful
Being fired for a section 1203 complaint (n=350)	33%	25%	40%
Being investigated for a section 1203 complaint (n=350)	32%	35%	32%
Being the subject of a section 1203 complaint (n=350)	27%	39%	33%
Percent of IRS staff			

Source: GAO.

Note: Percentages may not add to 100 percent because of rounding and a few "did not know or had no basis to judge" responses.