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IRS Lax Controls Enable Targeting Based On Religion + Politics, Claims Report

Everyone seems to agree that you should not be audited based on your religion or political beliefs, nor based on which charities you support. Yet there are still questions about how our tax system measures up. Despite all the protestations that there was never any IRS targeting (even some that Republicans made it up), the weak response to the last two years remains disquieting. There seemed to be bonuses and rewards, not discipline or prosecution.

Now, a new government report says lax IRS controls of audit criteria mean the agency is *still* able to target based on religious and political views. This time, it is a [U.S. Government Accountability Office \(GAO\) report](#), stating that: “The control deficiencies increase the risk of selecting organizations for audit in an unfair manner — for example, based on an organization’s religious, educational, political, or other views.” Precisely how much such inappropriate criteria are being used is being debated, as [the IRS scandal reaches day 982](#). Some Republicans have assumed the worst, while naysayers claim there is still no scandal and still no targeting.



The GAO is an independent, nonpartisan agency headed by the Comptroller General of the United States. It investigates how the federal government spends taxpayer dollars. The GAO identified what it calls control deficiencies within the IRS system. These flaws open the system to risk that the IRS uses political and religious beliefs as selection criteria for audit.

There was already concern about tax exempt organizations, and it could extend to who gets audited too. The GAO concluded that the lack of strong control procedures increases the risk of targeting. The IRS, however, responded in a [statement](#) that:

- 6 The IRS stresses that audits of tax returns are based on the information contained on the taxpayer's return and the underlying tax law – nothing else. Politics play no factor in audit selection. There is nothing in the [GAO reports](#) that contradict that statement. GAO did not identify any instances where the selection of a case was considered inappropriate or unfair. The audit process is handled by career, non-partisan civil servants, and we have processes in place to safeguard the exam process. We generally agree with the recommendations in the [GAO report](#) and will take a number of steps to further improve our processes. The IRS has procedures in place that adhere to internal control standards, which help ensure fairness and integrity in the return selection process. No individual can control which tax returns are selected for audit. As required by law, we have a number of safeguards in place to restrict access to our systems to only authorized users. We emphasize the importance of fairness and integrity to fulfilling our responsibilities as the nation's revenue agency.

This seems to echo The Daily Show appearance by President Obama when he denied any targeting. At the very least, some of the denials have been dissembling. If there was any targeting, we heard, it was rogue IRS employees in Cincinnati. Besides, emails showed there was no directive about targeting. The emails are missing? Hard drives crash and must be quickly recycled. There's no smidgen of corruption. Cash bonuses? Unrelated.

And the top of the IRS has remained elusive, despite calls to [impeach the IRS Chief from Republicans](#). It is notable that this is not the first GAO foray into the IRS. An earlier GAO report had been similarly critical, noting that [internal controls for exempt organization audit selection should be strengthened](#). To identify exempt organizations for possible examination, the IRS uses a variety of information sources: for example, IRS receives referrals of exempt

organization noncompliance from third parties, such as the public, and other parts of IRS. GAO's review of examination files found that approval of some selection decisions was not documented, as required by IRS procedures.

That earlier GAO report said that the IRS has not been sufficiently monitoring its staff and procedures to make sure the required approvals were obtained. The new report on audits outside the exempt organization world is arguably more important. If the 'rogue employees' explanation was ever even a smidgen true, aren't controls important?

The IRS is one of most important agencies there is. Our tax system still runs primarily by self-assessment, and taxpayer faith in the system is key. The vast majority of its employees are fair and doing their best. But the agency needs real accountable leadership to get the government's work done.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.