

Treasury Inspector General for
Tax Administration

FY 2015
President's Budget

Table of Contents

Section 1 – Purpose	4
1A – Mission Statement	4
1.1 – Appropriations Detail Table	4
1B – Vision, Priorities and Context.....	4
Section 2 – Budget Adjustments and Appropriation Language	18
2.1 – Budget Adjustments Table	18
2A – Budget Increases and Decreases Description	18
2.2 – Operating Levels Table	19
2B – Appropriations Language and Explanation of Changes	20
2C – Legislative Proposals	20
Section 3 – Budget and Performance Plan	21
3A – Audit	21
3.1.1 – Audit Budget and Performance Plan	24
3B – Investigations	24
3.1.2 – Investigations Budget and Performance Plan	28
Section 4 – Supplemental Information	30
4A – Summary of Capital Investments	30

Section 1 – Purpose

1A – Mission Statement

Provide quality professional audit, investigative, and inspections and evaluations services that promote integrity, economy, and efficiency in the administration of the Nation’s tax system.

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Inspector General for Tax Administration Appropriated Resources	FY 2013		FY 2014		FY 2015		FY 2014 to FY 2015			
	Operating Level		Enacted		Request		\$ Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Audit	343	54,309	349	60,850	349	61,264	0	414	0.00%	0.68%
Investigations	478	89,452	486	95,525	486	96,155	0	630	0.00%	0.66%
Subtotal New Appropriated Resources	821	\$143,761	835	\$156,375	835	\$157,419	0	\$1,044	0.00%	0.67%
Other Resources:										
Reimbursables	2	1,247	2	1,700	2	1,500	0	(200)	0.00%	-11.76%
Subtotal Other Resources	2	\$1,247	2	\$1,700	2	\$1,500	0	(\$200)	0.00%	-11.76%
Total Budgetary Resources	823	\$145,008	837	\$158,075	837	\$158,919	0	\$844	0.00%	0.53%

1B – Vision, Priorities and Context

The Treasury Inspector General for Tax Administration (TIGTA), an independent office within the Department of the Treasury, was created by Congress as a part of the *Internal Revenue Service Restructuring and Reform Act of 1998* (RRA 98)¹ with a statutory mandate to provide oversight by conducting independent audit, investigative, and inspections and evaluations services necessary to improve the quality and credibility of Internal Revenue Service (IRS) operations, including oversight of the IRS Chief Counsel and the IRS Oversight Board. TIGTA conducts independent reviews and provides an unbiased perspective for improving the economy, efficiency, and effectiveness of IRS programs. TIGTA makes recommendations designed to improve the administration of the Federal tax system, conducts administrative and criminal investigations of allegations of waste, fraud, and abuse, and helps to ensure that the IRS protects and secures taxpayer’s data. TIGTA also has the unique responsibility of protecting the IRS and its employees.

TIGTA continues to be committed to its vision and mission, and to accomplishing its objectives and goals. TIGTA safeguards the integrity and the public’s trust and confidence in Federal tax administration through the audits, investigations, and inspections and evaluations it conducts. This focus is a matter of extreme importance given the current economic environment and the increased emphasis by the Administration, Congress, and the American people on Federal Government accountability and its efficient use of resources. The American people must be able to trust that their government is taking action to stop wasteful practices and ensure that every tax dollar is spent wisely.

¹ Pub. L. No. 105-206, 112 Stat. 685.

TIGTA is based in Washington, DC with 65 offices located throughout the United States and Puerto Rico. TIGTA is uniquely organized by function, to meet current tax administration challenges and to keep pace with emerging issues. These functions include:

- Office of Audit (OA) - conducts audits that advise the American people, Congress, the Secretary of the Treasury, and IRS management of high-risk issues relating to the administration of IRS programs and operations. TIGTA’s audit recommendations aim to improve IRS systems and operations, while emphasizing fair and equitable treatment of taxpayers.
- Office of Investigations (OI) - investigates external threats of violence against IRS employees and facilities, and internal allegations of criminal and administrative misconduct by IRS employees and contractors. OI also conducts investigations to protect the IRS against bribery attempts, impersonations and external, cyber-based and often globally complex threats that would impede the IRS’s ability to collect revenues and safeguard the processing of approximately 239 million returns annually.
- Office of Inspections and Evaluations (I&E) - provides responsive, timely, and cost-effective inspections and evaluations of IRS challenge areas. Oversight activities are designed to identify high-risk systemic inefficiencies in IRS operations and to investigate exploited weaknesses in tax administration.

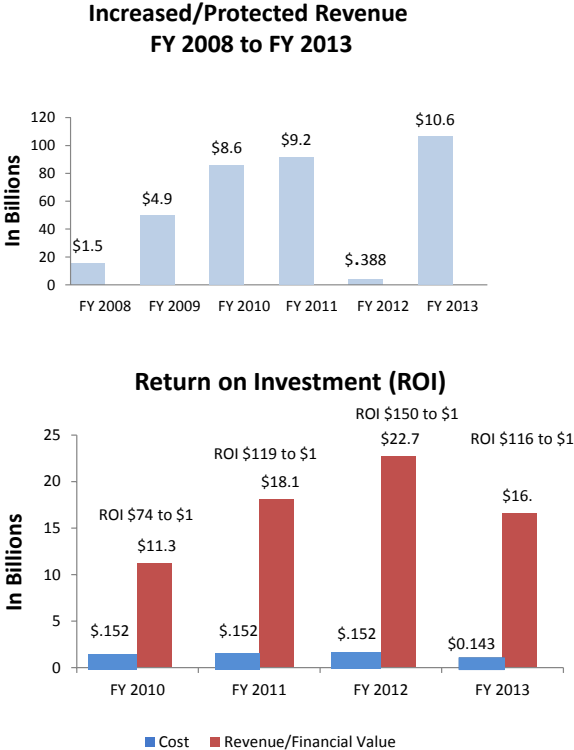
Key Accomplishments and Budget Savings

The scope, complexity and magnitude of the Nation’s deficit present significant challenges. TIGTA’s oversight activities continue to produce a return on a taxpayer’s investment. TIGTA’s overall financial accomplishments in Fiscal Year (FY) 2013 included:

- Increased and/or protected revenue in the amount of \$10.6 billion; and
- Cost savings of \$5.9 billion.

Funding for TIGTA allows oversight efforts to continue, and in FY 2013 these efforts produced potential financial benefits/revenue of \$116 for every \$1 invested. For example, in FY 2013, TIGTA issued audit reports with recommendations that potentially increased and/or protected revenue of \$10.6 billion.

Increased/protected revenue includes the assessment or collection of additional taxes (increased revenue) or ensuring the accuracy of the total taxes, penalties, and interest paid to the Federal Government (revenue protection). TIGTA also issued audit reports with recommendations that identified a potential \$5.9 billion in funds that could be put to better use. The phrase “recommendation that funds be put to better use” means funds that could be used



more efficiently or effectively if management took actions to implement and complete the recommendation, including but not limited to:

- Reductions in outlays;
- Avoidance of unnecessary expenditures noted in pre-award contract reviews; and
- Prevention of erroneous payment of refundable credits.

In addition to funds that could be put to better use, TIGTA's investigative efforts resulted in the recovery of over \$14,400 of embezzled/stolen funds and \$16.7 million in court-ordered fines, penalties, and restitution.

To continue strengthening TIGTA's oversight and issuing result-driven recommendations, TIGTA must:

- Adapt to the evolving nature of IRS operations and mitigate internal and external risks associated with security, modernization, tax compliance and the tax gap, tax-exempt organizations, offshore tax evasion, identity theft, and the implementation of the *Patient Protection and Affordable Care Act (ACA)*², as amended by the *Health Care and Education Reconciliation Act of 2010*;³
- Respond to threats and attacks against IRS employees, property, and sensitive information;
- Conduct comprehensive, real-time audits, and inspections and evaluations that identify problems as they occur and include recommendations which result in higher revenue and less waste, fraud, and abuse; and
- Inform the American people, Congress, and the Secretary of the Treasury of the challenges confronting the IRS and its efforts to increase voluntary tax compliance, address identity theft, and tax fraud.

Strategic Goals and Objectives

TIGTA's *Fiscal Year 2013 – 2016 Strategic Plan* guides program and budget activities and supports the Department of the Treasury's Strategic Plan, which includes a goal to "Fairly and effectively reform and modernize Federal financial management, accounting, and tax systems." TIGTA also supports Treasury's Strategic Plan objectives 3.2: Improve the disbursement and collection of federal funds and reduce improper payments made by the U.S. government, and 3.3: Pursue tax reform, implement the Patient Protection and Affordable Care Act and Foreign Account Tax Compliance Act, and improve the execution of the tax code.

The goals of TIGTA's Strategic Plan are to:

- Promote the economy, efficiency, and effectiveness of tax administration;
- Protect the integrity of tax administration; and
- Continue to be an organization that values its people.

TIGTA's commitment to its strategic goal to be an organization that values its people was recognized in the Partnership for Public Service's 2013 *Best Places to Work* rankings. TIGTA placed 8th out of 300 agencies, up from 13th out of 292 in 2012, in the overall index score that measures the performance of agency subcomponents related to employee satisfaction and

² Pub. L. 111-148, 124 Stat. 119

³ Pub. L. No. 111-152, 124 Stat. 1012.

commitment. Among all Treasury bureaus, TIGTA placed the highest in the *Best Places to Work* rankings.

FY 2015 Budget Request

TIGTA's FY 2015 budget request of \$157,419,000 represents an increase of 0.67 percent above the FY 2014 enacted budget. These resources will fund critical audit, investigative, and inspections and evaluations services to protect the integrity of the Nation's system of tax administration.

In accordance with the requirements of Section 6(f)(1) of the *Inspector General Act of 1978* (as amended),⁴ the Treasury Inspector General for Tax Administration submits the following information related to its FY 2015 Budget Request:

- The aggregate budget request for TIGTA operations is \$157,419,000;
- The portion of the request needed for TIGTA training is \$1,750,000; and
- The portion of the request needed to support the Council of the Inspectors General on Integrity and Efficiency is \$296,000.

The amount requested for training supports TIGTA's training needs for FY 2015.

FY 2015 Priorities

TIGTA's audit, investigative, and inspections and evaluations' priorities include:

- Identifying opportunities to improve the administration of the Nation's tax laws and achieve program efficiencies and cost savings;
- Mitigating risks associated with: security over taxpayer data and employees, information systems modernization, identity theft, oversight of tax-exempt organizations, procurement fraud, tax compliance, the implementation of tax law changes, and human capital challenges facing the IRS in its domestic and/or international operations;
- Providing the IRS with the investigative coverage and the information necessary to mitigate threats against its employees, facilities, and systems;
- Responding to domestic and foreign threats to and attacks against IRS employees, property, data infrastructure, and sensitive information;
- Improving the integrity of IRS operations by detecting and deterring waste, fraud, abuse, and misconduct including the inappropriate disclosure of confidential taxpayer information by IRS employees;
- Conducting comprehensive and real-time audits, inspections and evaluations that include recommendations for the achievement of monetary benefits; addressing erroneous and improper payments; and enhancing the service the IRS provides to taxpayers;
- Informing the American people, Congress, and the Secretary of the Treasury of problems on a timely basis once all facts are known;
- Overseeing the IRS's efforts to administer tax provisions of the ACA; and
- Overseeing the IRS's efforts to implement the *Foreign Account Tax Compliance Act* (FATCA)⁵ which helps prevent U.S. taxpayers from hiding assets offshore.

⁴ 5 U.S.C. app. 3 § 6(f)(1).

⁵ Pub. L. 111-147, Hiring Incentives to Restore Employment (HIRE) Act of 2010, Title V, Pub. L. 111-147, 124 Stat. 71.

Closing the Federal Tax Gap

In FY 2012, the IRS updated its estimates of the tax gap. The gross tax gap – the difference between taxes owed and taxes paid on time - was \$450 billion in 2006. In a June 2011 hearing before the U.S. Senate’s Committee on Finance, an official of the Government Accountability Office (GAO) testified that there are no easy fixes to the tax gap (GAO11 74T). GAO further stated that, despite large and growing impediments, it is nevertheless important that the Government continues to seek out potential causes and solutions. TIGTA will continue to direct its efforts to reduce the tax gap. In FY 2013, TIGTA reported that the IRS should take action to reinforce the importance of recognizing and investigating fraud indicators during office audits. Since fraud indicators are not always recognized and properly investigated, the IRS may be missing opportunities to further promote voluntary compliance and enhance revenue for the Department of the Treasury. By implementing TIGTA’s recommendations in this area, the IRS can significantly increase compliance.

Office of Audit

The budget for OA provides funding for comprehensive and independent audits of IRS programs and operations that help promote sound administration of the Nation's tax laws. Audit coverage is determined by assessing the risks associated with the potential audit universe and identifying the highest priority audits to address major management challenges and key emphasis areas.

Sufficient funding will allow TIGTA to continue its oversight responsibilities and audit coverage of the major management challenges facing the IRS. Audit activities are also focused on assessing key areas in which major risks face the IRS, including:

- Tax-exempt organizations;
- Identity theft;
- Return preparers;
- Contracts; and
- Whistleblower program.

OA has a continuing need to provide close oversight of the IRS’s tax-exempt organization program. In FY 2013, TIGTA issued a report on the IRS’s processing of applications from organizations claiming tax-exempt status by I.R.C. 501(c)(3) and I.R.C. 501(c)(4). This report highlighted ineffective management in this area and identified inappropriate practices by IRS employees who processed these cases. Congress has called for continuing oversight by TIGTA of the IRS’s tax-exempt program to ensure that these problems have been corrected and will never happen again.

Addressing Substantial Risks in the Implementation of the Affordable Care Act

The President signed into law significant changes to the Nation’s health care system under the ACA. Multiple ACA provisions have been added to or amended in the Internal Revenue Code, and at least eight provisions require the IRS to build new processes in tax administration. These provisions provide incentives and tax breaks to individuals and small businesses to offset health care expenses. They also impose penalties, administered through the tax code, for individuals and businesses that do not obtain health coverage for themselves or their employees. Other provisions raise revenue to offset the costs of health care reform. TIGTA’s independent oversight plays a key role in ensuring that these provisions are implemented and administered in accordance with the law and the intent of Congress.

In FY 2013 and FY 2014, several key ACA provisions will have become effective. As such, FY 2015 will be a significant year for the oversight of ACA provisions. Tax returns from 2014, processed in Calendar Year (CY) 2015, will be the first that contain health insurance premiums and the premium tax credits. New systems will have to be in place to share data with other Federal, State, and private sector organizations to process health care information on tax returns. In FY 2015, TIGTA will need to closely monitor tax return processing, the ability of the new IRS systems to accurately calculate insurance credits, and the effectiveness of data sharing to ensure the ACA provisions are implemented.

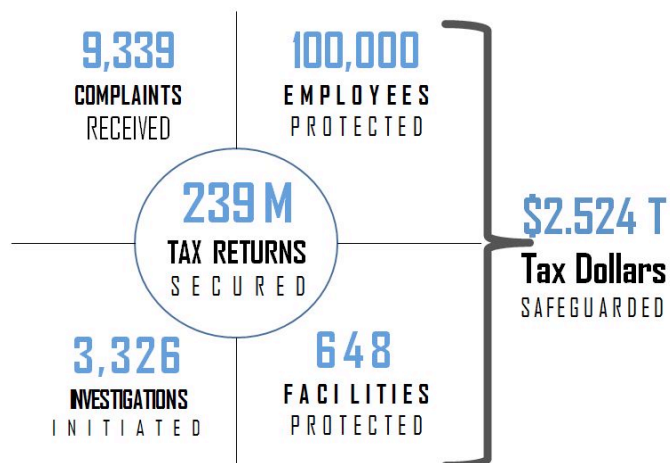
Significant TIGTA oversight will be required in areas that include:

- Refundable tax credits providing premium assistance for certain individuals and families purchasing health insurance through an exchange;
- Security over information sharing and reporting among all ACA stakeholders;
- Integration of ACA provisions into existing tax processing systems;
- Development and testing of new systems to support ACA provisions;
- Requirement to maintain minimum essential coverage and report of health insurance coverage;
- Additional hospital insurance tax on high-income taxpayers;
- Medicare contribution tax on unearned income;
- Medical device manufacturers' excise tax;
- ACA compliance examinations of tax-exempt hospitals;
- Refund controls validation related to tax-exempt organizations' claims for refund of the small business health care tax credit;
- Financial management information related to the ACA;
- Modification of itemized deduction for medical expenses; and
- Annual fee requirement for health insurance providers.

Office of Investigations

Through its investigative programs, OI seeks to protect the IRS's ability to collect over \$2 trillion in annual revenue for the Federal Government by investigating IRS employee misconduct and criminal activity, threats to IRS employees and facilities, and attempts to impede or otherwise interfere with the IRS's collection efforts.

Funding OI allows TIGTA to meet the significant challenges facing the IRS in the implementation of a fair and effective system of tax administration. IRS employees are entrusted with the sensitive personal and financial information belonging to the American taxpayer. Because the Federal tax system is based on voluntary compliance, it is also essential to the public's confidence that information given to the IRS for tax administration purposes be adequately safeguarded and kept confidential. Employee



misconduct not only breaks the public's trust and confidence, but also undermines the IRS's ability to deliver taxpayer service, enforce tax laws effectively, and collect taxes owed.

TIGTA's OI places the highest priority on its statutory responsibility to safeguard approximately 100,000 IRS employees located in 648 facilities throughout the United States. Threats of physical violence, harassment, and intimidation of IRS employees are criminal violations that are aggressively investigated and referred for prosecution. As a result, IRS employees feel more secure in their work environment and can focus on performing their critical jobs. By maintaining a constant focus on the expanding threat environment, OI balances its attention on this critical area and its other investigative programs that help to protect the integrity of the Federal tax system.

Emerging Issues

Affordable Care Act: TIGTA anticipates a significant rise in the number of complaints and investigations as a result of the increased ACA requirements. This FY 2015 budget request will allow TIGTA to investigate ACA-related allegations, timely respond to threats and assaults against IRS employees and facilities, and provide armed escorts to IRS employees who meet with potentially dangerous taxpayers. TIGTA anticipates an increase in:

- The number of threats against IRS employees and facilities as the IRS begins its implementation of the ACA by imposing penalties, which will likely increase negative public sentiment towards the IRS.
- The number of ACA-related impersonation investigations by criminals attempting to fraudulently obtain personally identifiable information from unsuspecting taxpayers by using aspects of the ACA to further their ruses that result in identity theft and other crimes.
- The number of employee integrity investigations, because IRS employees and contractors will have access to sensitive information from taxpayers' health insurers and the potential for unauthorized access to, or disclosure of, confidential taxpayer information.

International Cybercrimes and Identity Theft: By the end of CY 2012, the IRS reported almost 1.8 million identity theft cases. Approximately 16 percent of these cases were brought to the IRS's attention by taxpayers who reported that they were victims of identity theft, and about 83 percent were detected by the IRS. The tools and techniques used by the perpetrators of identity theft are such that they can be deployed from anywhere in the world, using Internet-connected computers, without regard to borders. The FY 2015 budget request includes resources needed to combat cybercriminals by funding a highly specialized group of criminal investigators with technical expertise in investigating electronic crimes, including computer intrusions and Internet-based fraud schemes.

The electronic system of tax administration that is conducted over IRS computer networks is targeted for malicious activity each day from network connections located throughout the world (Figure 1). Because many cybercriminals reside outside the United States, TIGTA special agents work with law enforcement personnel in foreign countries to identify leads and execute search and arrest warrants. The FY 2015 resources are necessary for TIGTA to recruit and retain highly trained individuals to support these critical international investigations.


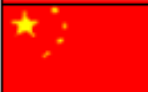








Top 10 Denied Countries		Hit Count
	United States (US)	151,592,292
	China (CN)	629,163
	Netherlands (NL)	66,441
	India (IN)	50,496
	Japan (JP)	47,422
	Germany (DE)	45,414
	Republic of Korea (KR)	32,929
	Ukraine (UA)	32,605
	Russian Federation (RU)	30,698
	Islamic Republic of Iran (IR)	30,181

Figure 1: The top 10 denied sources of malicious activity by Internet Protocol (IP) space registered to a country targeting the IRS Network. This chart was based on an IRS Computer Security Incident Response Center (CSIRC) quarterly report dated July – September 2013.

Office of Inspections and Evaluations

TIGTA's I&E provides a range of specialized services and products, including quick reaction reviews, onsite inspections of an office, and in-depth evaluations of a major function, activity, or program.

Inspections:

- Provide factual and analytical information;
- Monitor compliance;
- Measure performance;
- Assess the effectiveness and efficiency of programs and operations;
- Share best practices; and
- Inquire into allegations of waste, fraud, abuse, and mismanagement.

Evaluations often result in recommendations to streamline IRS operations, enhance data quality, and minimize inefficient and ineffective procedures. During FY 2013, I&E produced eight inspection/evaluation reports. Two inspections reviewed IRS expenditures under the *American Recovery and Reinvestment Act of 2009*. Five inspections reviewed IRS executive travel; implementation of the *Telework Act*; travel gainsharing; Criminal Investigation's relocation and post of duty neutral program; and the controls in place for the IRS to achieve its goal of reducing official time charges for union activities. These inspections identified over \$204,000 in potential cost savings that could be gained with improved efficiencies. Finally, I&E produced a comprehensive evaluation of the tax gap.

I&E will provide oversight of the IRS's administration of the ACA and implementation of the FATCA. I&E provides TIGTA with additional flexibility, capacity, and capability to produce value-added products and services to improve tax administration. Inspections usually are more limited in scope and completed in a more compressed period of time compared to traditional audits. I&E's work complements audits and investigations, and its findings may result in subsequent audits and/or investigations.

Office of Chief Counsel – Advisory Opinions

The Office of Chief Counsel (OCC) provides independent and timely legal advice, guidance, and counsel to the Inspector General and TIGTA functions on a wide variety of substantive and procedural matters relating to audits, investigations, and inspections and evaluations of IRS programs and operations. OCC also provides legal advice and counsel on policy and procedural matters relating to TIGTA operations. In addition, OCC represents TIGTA in administrative litigation before the Merit Systems Protection Board and the Equal Employment Opportunity Commission, and assists the Department of Justice in Federal civil litigation affecting TIGTA. OCC serves as TIGTA's designated ethics official and manages TIGTA's ethics program, providing ethics training, advice, and financial disclosure reviews. OCC also coordinates TIGTA's timely response to *Freedom of Information Act* (FOIA),⁶ *Privacy Act*⁷ and other disclosure requests, and reviews audit and inspections and evaluations reports for public release.

⁶ 5 U.S.C. § 552.

⁷ 5 U.S.C. § 552a.

The OCC continues to see an increase in workload levels while staffing levels have remained relatively constant. Despite improvement in cycle time and increased efficiency in working advisory opinion cases, OCC continues to experience a rise in its inventory. From FY 2009 through FY 2012, case receipts increased by 30 percent, from 1,754 to 2,501. Although FY 2013 actual advisory request receipts of 2,236 were below FY 2012's actual, FOIA requests significantly exceeded projections by 32 percent and FY 2012's actual by 45 percent. Over the next several years, OCC's workload will continue to grow. By FY 2015, the total number of advisory requests and FOIA requests received are projected to exceed 2,700, an increase of 8 percent over FY 2013's actual. Current projections indicate that, by FY 2015, the total number of requests received will have increased by 4 percent above FY 2014 projections.

Office of Chief Counsel Workload Impact Table

Major Activities	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Actual	FY 2014 Projections	FY 2015 Projections
Final Advisory Opinions Received	1,754	2,546	2,412	2,501	2,236	2,325	2,418
Freedom of Information Act Requests Received	220	275	218	227	330	343	357
Total Receipts	1,974	2,821	2,630	2,728	2,566	2,669	2,775

Office of Mission Support

The Office Mission Support (OMS) provides cost-effective *Federal Information Security Management Act*⁸ security services that permit the successful completion of TIGTA's business goals while balancing the business need with regulatory compliance requirements. By developing policy and monitoring security controls, OMS facilitates the protection of TIGTA information systems against actions that could impact a system's availability, confidentiality, and integrity. Policy and control monitoring help reduce the risks associated with the collection, management, and dissemination of information for purposes of audits, investigations, and inspections and evaluations. OMS has also implemented an organization-wide governance process that includes a disciplined and coordinated approach to rigorous decision-making on project management practices. The guiding principle of the governance process is to demonstrate sound project management effectiveness and efficiencies. OMS's governance process also ensures a uniform and effective approach for the oversight, guidance, and approval of available TIGTA funds and resources.

Office of Information Technology

TIGTA's Office of Information Technology (OIT) provides cost-effective, timely Information Technology (IT) products and services that permit successful completion of TIGTA business goals while meeting legislative mandates. By developing, providing, and supporting a wide variety of IT products and services, OIT facilitates the collection, management, analysis and dissemination of information for audit, investigative, legal and management services benefit. TIGTA has no major IT investments based on criteria of the Office of Management and Budget (OMB) and the Department of the Treasury. Several non-major investments, however, directly support the mission, strategy, and day-to-day operations of the bureau.

⁸ Pub. L. No. 107-347, Title III, 116 Stat. 2899, 2946-2961 (2002) (codified as amended in 44 U.S.C. §§ 3541-3549).

These investments include:

- Secure Information and Technology (IT) Mobility;
- Server and Storage Infrastructure;
- Refreshed Applications and Collaboration Environment;
- IT Governance and Total Cost of Ownership; and
- Telecommunications Infrastructure.

TIGTA's Audit, Investigations, and Inspections and Evaluations functions rely heavily on the products and services provided by OIT to execute TIGTA's mission. IT is the force multiplier that allows auditors, agents, and inspectors to accomplish their objectives within the staffing and physical constraints that might otherwise prevent their completion. As the demands on the organization grow, it becomes increasingly dependent on the use of technology. Those demands translate into the need for more and improved IT services and the skilled staff to provide those services to the rest of the organization.

Retirements, reassignments, and other departures result in the loss of key skills sets. This is the case not only for existing systems but for new technology as well. The need for continuing education to stay abreast of new technologies, changes to products and services offered by current vendors, not to mention the growing demands placed on a professional enterprise have stretched the remaining staff to its limits. Not only is new staff required to learn and support the existing systems, but new products and services are also needed that will allow OIT's mission critical work to continue.

In addition to auditing and reporting on the condition of IT security at the IRS, TIGTA, like all Federal entities, faces its own challenges regarding compliance with the security mandates and recommendations of OMB, Department of Homeland Security Executive orders and National Institute of Standards and Technology guidance. To prevent the compromise of the data obtained within the parameters of its jurisdiction, TIGTA must aggressively ensure that its own security posture is properly maintained. This requires additional training for staff that will allow them to be both knowledgeable in IT security and skilled in its practice.

Safeguarding the IRS and Providing Comprehensive Oversight

TIGTA places its highest priority on ensuring the safety and security of IRS employees and facilities. TIGTA evaluates intelligence information regarding potential violent acts against the IRS and develops proactive leads from other law enforcement agencies and sources to mitigate potential threats.

In February 2010, an aircraft attack against an IRS facility in Austin, Texas (Figure 2), took the life of an IRS employee and injured several others. OI initiated improved partnerships with the IRS and other law enforcement stakeholders to collectively deliver a more efficient approach to addressing all aspects of threat response, critical incident management, and information distribution.



Figure 2: IRS Austin Campus

As part of these improvements, the Threat Information and Critical Incident Response Center Initiative was created to ensure that threats against IRS personnel, facilities, or critical infrastructure are effectively and proficiently identified, investigated, and mitigated. Additionally, an OI Threat Information Notification System (TINS) was established to ensure the efficient and accurate distribution of threat-related information to all impacted stakeholders. The TINS protocol supports key personnel within TIGTA and the IRS, and provides for real-time information sharing to facilitate the protection of the IRS's most important resource, its employees.

TIGTA and the IRS are now better positioned to make decisive investigative and security decisions affecting IRS personnel, facilities, and critical infrastructure well into the future.

Security for Taxpayer Data and Employees: The IRS faces the daunting task of securing its computer systems against the growing threat of cyber-attacks. Effective information systems security is essential to ensure that data are protected against inadvertent or deliberate misuse, improper disclosure, or destruction, and that computer operations supporting tax administration are secured against disruption or compromise. In addition to securing a vast amount of sensitive financial and personal data, the IRS must also protect approximately 100,000 employees and 648 facilities throughout the United States. These operating conditions are challenging for the IRS and underscore the need for continued vigilance in the area of physical and personnel security.

In FY 2013, TIGTA issued a report noting significant delays hindered efforts to provide continuous monitoring of security settings on computer workstations. Security settings on computer systems should be monitored and maintained continuously so that security weaknesses can be identified and mitigated promptly, reducing the likelihood of a security breach. Also, TIGTA issued another report noting that improvements are needed to ensure the effectiveness of the

Privacy Impact Assessment Process. Privacy laws have significant ramifications for the IRS because of its interactions with potentially every household in the United States.

To prevent the compromise of sensitive taxpayer information, TIGTA proactively identifies IRS employees who inappropriately access and/or disclose such private information. These violations are known as unauthorized access (UNAX). The initial investigation into the allegation of UNAX by an IRS employee often leads to other criminal violations, including fraud and identity theft. The importance of efforts to detect UNAX is often underestimated, because too often UNAX is seen as browsing by bored employees. IRS employees who are found to have committed UNAX violations may be subject to fines, imprisonment, and/or loss of their jobs. In FY 2013, TIGTA closed 302 UNAX investigations, resulting in 265 adjudicated personnel actions taken against IRS employees.

Another significant oversight responsibility is TIGTA's review of the IRS's computer applications that contain sensitive information. The IRS currently has 196 application systems that process sensitive data. Forty-six of those systems are considered to be at risk for UNAX. With the FY 2015 resources, TIGTA can ensure these systems are evaluated properly. In addition, TIGTA can make necessary recommendations so the IRS can implement improvements to mitigate these risks.

Notwithstanding limited training program resources, TIGTA continues its outreach efforts to IRS employees and tax practitioners, thereby developing relationships with these groups to assist it in identifying and encouraging the reporting of crimes against the IRS and taxpayers. In FY 2013, TIGTA provided 1,520 awareness presentations to 43,937 IRS employees and 28 awareness presentations to 3,579 tax practitioners and preparers. TIGTA's training program raises awareness of bribery attempts so individuals can be cognizant of these overtures and report such violations to TIGTA for investigation. Additionally, special agents conduct awareness presentations to educate IRS employees of TIGTA's oversight responsibility and share information to help identify ways to prevent physical assaults and threats and deter waste, fraud, and abuse.

Fraudulent Claims and Improper Payments: *The Improper Payments Information Act of 2002*⁹ defines an improper payment as any payment that should not have been made or that was made in an incorrect amount (both overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. In FY 2013, TIGTA issued a report noting that further efforts are needed to ensure the IRS prisoner file is accurate and complete. TIGTA issued another report that noted that the IRS's review process for revenue program fund risk assessments is informal and did not always adhere to required guidelines.

Achieving Program Efficiencies and Cost Savings: The American people must be able to trust that their Federal Government is taking action to stop wasteful practices and ensure that every tax dollar is spent wisely. During the fall of 2011 through the summer of 2012, numerous Department of the Treasury, OMB, Presidential Executive orders, and other guidance documents were issued to ensure that the Federal Government acts as a good steward of taxpayer money by identifying opportunities to promote efficient and effective spending and eliminating excess

⁹ Pub. L. No. 107-300, 116 Stat. 2350.

spending on conferences and travel. During FY 2013, TIGTA issued a report to the IRS noting that inadequate processes governing the assignment and monitoring of aircards and BlackBerry® smartphones result in millions of dollars in unnecessary access fees.

Advising Congress: In FY 2013, TIGTA provided 12 testimonies, over 48 briefings, and 16 official written responses to Congress on its audit, investigative, and inspections and evaluations activities. Through direct communication, TIGTA aims to address the interest of congressional committees on critical issues involving IRS operations.

Fraud and Electronic Crime: Historic investigations and audits have shown that the sensitivity of the data that the IRS collects makes it an attractive target for employees, hackers, and others residing throughout the world that could use the information for fraud and identity theft. TIGTA's audit, investigative, and inspections and evaluations work provides coverage of this growing national and international problem, providing proactive prevention and detection efforts that are required in this highly vulnerable and ever-evolving area. As described in *Homeland Security Presidential Directive 7*, IRS operations that fund the Federal Government are part of the Nation's key resources and critical infrastructure. These key resources and critical infrastructure provide the essential services that underpin American society. Degradation of the public's trust in the tax system would lead to a decline in voluntary compliance and represent a risk to national security.

Promoting Efficient Spending and the Campaign to Cut Waste: TIGTA continues its commitment to promoting efficient spending and cutting waste. All capital investments and major acquisitions are part of a rigorous review by TIGTA's Investment Review Board. This Board performs regular monitoring to ensure proper management of these investments. For FY 2013, TIGTA aggressively reduced its operating expenses to meet its FY 2013 funding level under sequestration and the across-the-board rescission. For example, TIGTA reduced its operating travel by 60 percent, training and associated travel by 75 percent, and supplies by 40 percent. In addition, TIGTA instituted a hiring freeze, cancelled or modified contracts where possible, and during FY 2013 did not purchase or lease any Government Owned Vehicles. For FY 2014 and FY 2015, TIGTA will continue its commitment to scrutinize its budget and identify areas for cost savings and efficiencies.

To continue to maintain a highly skilled, proactive, and diverse Inspector General organization with a reputation of protecting and promoting fair tax administration, TIGTA's employees will require ongoing training to meet the challenge of staying abreast of changing IRS programs and priorities. Also, TIGTA will ensure that its workforce will receive training that strengthens the knowledge and skills they need to continue to protect the public's and Congress's confidence in the tax system.

Section 2 – Budget Adjustments and Appropriation Language

2.1 – Budget Adjustments Table

Dollars in Thousands

Treasury Inspector General for Tax Administration	FTE	Amount
FY 2014 Enacted	835	\$156,375
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$2,898
Pay-Raise	-	\$1,433
FERS Contribution Increase	-	\$1,039
Non-Pay	-	\$426
Efficiency Savings:	-	(\$1,854)
Space Optimization	-	(\$240)
Implementation of Administrative Efficiencies	-	(\$1,614)
Subtotal Changes to Base	-	\$1,044
Total FY 2015 Base	835	\$157,419
Total FY 2015 Request	835	\$157,419

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$2,898,000 / +0 FTE

Pay-Raise +\$1,433,000 / +0 FTE

Funds are requested for the proposed January 2015 pay-raise of 1 percent and the annualization of the 2014 pay-raise.

Federal Employee Retirement System (FERS) Contribution Increase +\$1,039,000 / +0 FTE

Funds are requested for increases in agency contributions to FERS based on updated actuarial estimates.

Non-Pay +\$426,000 / +0 FTE

Funds are requested for non-labor expenses such as General Services Administration (GSA) rent adjustments, postage, supplies, and equipment.

Efficiency Savings -\$1,854,000 / +0 FTE

Space Optimization -\$240,000 / +0 FTE

TIGTA is committed to being efficient by identifying savings while investing in strategic priorities. TIGTA will continue to reduce costs by consolidating and reducing space in leased buildings. TIGTA also is committed to achieving real property cost savings through the reduction of space usage, non-renewal of lease agreements, and/or the consolidation of existing space. TIGTA continues to aggressively implement telework and office right-sizing measures in order to reduce its footprint. As a result, TIGTA will need less building space, generating a savings of \$240,000.

Implementation of Administrative Efficiencies -\$1,614,000 / +0 FTE

TIGTA has closely scrutinized its budget for cost saving opportunities. However, reaching this savings target does impact TIGTA's mission and programs and requires a combination of proactive measures. For example, all vacancies are examined to determine the impact of succession planning and delayed back-filling. This continual review will strategically identify positions where longer lapses will have the smallest impact on TIGTA's mission. TIGTA has lowered its administrative costs by 20 percent compared to FY 2010 levels, as outlined in

Executive Order 13589, *Promoting Efficient Spending*. TIGTA also continues to identify and monitor cost savings in travel, training, contracts, and rent.

2.2 – Operating Levels Table

Dollars in Thousands

Treasury Inspector General for Tax Administration Object Classification	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
11.1 - Full-time permanent	80,282	85,963	86,507
11.3 - Other than full-time permanent	271	584	584
11.5 - Other personnel compensation	7,822	8,322	8,322
11.9 - Personnel Compensation (Total)	88,375	94,869	95,413
12.0 - Personnel benefits	30,316	32,003	32,379
Total Personnel and Compensation Benefits	\$118,691	\$126,872	\$127,792
21.0 - Travel and transportation of persons	1,422	3,173	3,233
22.0 - Transportation of things	0	19	19
23.1 - Rental payments to GSA	9,311	9,180	9,115
23.2 - Rental payments to others	164	221	225
23.3 - Communication, utilities, and misc charges	1,439	1,832	1,795
24.0 - Printing and reproduction	2	7	7
25.1 - Advisory and assistance services	524	734	775
25.2 - Other services	692	731	695
25.3 - Other purchases of goods & serv frm Govt accounts	7,246	7,675	7,821
25.4 - Operation and maintenance of facilities	4	400	408
25.7 - Operation and maintenance of equip	885	892	909
26.0 - Supplies and materials	746	1,113	1,032
31.0 - Equipment	1,909	3,451	3,517
42.0 - Insurance claims and indemnities	2	50	51
91.0 - Confidential Expenditures	12	25	25
Total Non-Personnel	24,358	29,503	29,627
Subtotal New Appropriated Resources	\$143,049	\$156,375	\$157,419
Budget Activities:			
Audit	53,447	61,450	61,864
Investigations	90,822	96,625	97,055
Total Budgetary Resources	\$144,269	\$158,075	\$158,919
FTE	774	837	837

2B – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION Federal funds SALARIES AND EXPENSES</p> <p>For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, as amended, including purchase (not to exceed [150] 10 for replacement only for police-type use) and hire of passenger motor vehicles (31 U.S.C 1343 (b)); and services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration; [\$156,375,000] \$157,419,000, of which \$5,000,000 shall remain available until September 30, [2015] 2016; of which not to exceed \$6,000,000 shall be available for official travel expenses; of which not to exceed \$500,000 shall be available for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General for Tax Administration; and of which not to exceed \$1,500 shall be available for official reception and representation expenses]. <i>(Department of the Treasury Appropriations Act, 2014)</i></p>	

2C – Legislative Proposals

TIGTA has no legislative proposals.

Section 3 – Budget and Performance Plan

3A – Audit

(\$61,264,000 from direct appropriations, and \$600,000 from reimbursable resources):

TIGTA identifies opportunities to improve the administration of the Nation’s tax laws by completing comprehensive and independent performance and financial audits of IRS programs and operations. TIGTA’s audit work is concentrated on high-risk areas and the IRS’s progress in achieving its strategic goals. TIGTA strategically evaluates IRS programs, activities, and functions so that resources are expended in the areas of highest vulnerability to the Nation’s system of tax administration. TIGTA’s audit program incorporates both statutory audit requirements and specific audits identified through TIGTA’s risk-assessment process. By focusing on the most critical areas, TIGTA identifies and recommends improvements that add value while addressing high-risk tax administration issues.

Each year, TIGTA identifies and addresses the major management and performance challenges and key cross-cutting issues confronting the IRS. OA identifies the major risks facing the IRS and annually proposes a national audit plan based on perceived risks, stakeholder concerns, and follow-up reviews of previously audited areas with significant control weaknesses. To keep apprised of operating conditions and emerging issues, TIGTA maintains liaison and consults on an ongoing basis with applicable stakeholders such as IRS executives, the IRS Oversight Board, the Department of the Treasury, the GAO, and Congress.

TIGTA’s Annual Audit Plan communicates audit priorities to the IRS, Congress, and other interested parties. Many of the activities described in the Annual Audit Plan address the fundamental goals related to the IRS’s mission to administer its programs effectively and efficiently. Audits address a variety of high-risk issues such as identity theft, refund fraud, improper payments, tax-exempt organizations, security vulnerabilities, complex modernized computer systems, tax compliance, and waste and abuse in IRS operations. TIGTA’s audits and recommendations help:

- Promote the economy, efficiency and effectiveness of IRS programs;
- Ensure the fair and equitable treatment of taxpayers; and
- Detect and deter waste, fraud, and abuse.

Our recommendations not only result in cost savings, but have other quantifiable impacts, such as the protection of existing revenue, increased revenue, and reduction of the number of fraudulent refunds and improper payments.

Recognizing the constantly evolving nature of IRS’s goals, programs, and priorities, TIGTA often adjusts its oversight responsibilities. In addition to its coverage of the major management challenges facing the IRS, OA places importance on key emphasis areas based on their significance and impact on tax administration. Specifically:

- **Tax-Exempt Organizations** – The IRS’s use of inappropriate criteria for selecting and reviewing applications for tax-exempt status is of continuing concern to both Congress and organizations seeking tax-exempt status. There have been a number of congressional hearings, and there are ongoing Federal investigations into this matter. The IRS will continue to face a high level of scrutiny in the exempt organizations area in FY 2014, and this area will be a continued area of focus for TIGTA.

- **Identity Theft** – Identity theft continues to be a serious and growing problem which has a significant impact on tax administration. The IRS must make significant improvements in its ability to stop fraudulent payments and provide adequate taxpayer service to victims. Incidents of identity theft affecting tax administration have continued to rise since CY 2011, when the IRS identified more than one million incidents of identity theft. As of December 28, 2013, the IRS has identified more than 2.9 million incidents of identity theft in CY 2013.
- **Return Preparers** – Every year, more than one-half of all taxpayers pay someone else to prepare their Federal income tax returns. In an effort to ensure that all paid tax return preparers have at least a minimum level of competency and adhere to professional standards, the IRS establishes new regulations which provide for registration, competency testing, and continuing education. A recent Federal court decision stopped the IRS’s implementation of some of these regulations.
- **Whistleblower Program** – The IRS Whistleblower Program plays an important role in reducing the tax gap by providing an avenue for reporting tax evasion. Whistleblowers and their representatives continue to express concerns with the operation of this program, especially the lack of communication from the IRS regarding their claims.
- **Contracts** – The IRS spends approximately \$2.1 billion annually on contracts. It is imperative that contract actions result in the best value to the taxpayer. There are continued risks for fraud and abuse in this area.

In FY 2013, TIGTA issued 115 audit reports that included potential financial benefits of approximately \$16.6 billion and affected 3.9 million taxpayer accounts. TIGTA’s reports for FY 2013 addressed issues that included:

- **Computer Security** - TIGTA audit results identified \$1.2 million in inefficient use of resources attributable to payment for contractor support services. TIGTA found that the IRS appropriately acquired the Treasury Enhanced Security Initiatives project’s multiple software components, and the project team completed key documentation during the development process. However, the project experienced several delays, and the Cybersecurity Privacy Governance Board did not take required actions to manage the delays or the associated costs.
- **Compliance with non-cash charitable contribution reporting requirements** - TIGTA estimated that more than 273,000 taxpayers claimed approximately \$3.8 billion in potentially erroneous non-cash charitable contributions in Tax Year 2010, which resulted in an estimated \$1.1 billion reduction in tax/potential tax revenue loss attributable to unsubstantiated non-cash charitable donations. TIGTA found that IRS controls were not sufficient to ensure taxpayer compliance with non-cash charitable contribution reporting requirements. Taxpayers who do not comply with the reporting requirements could be incorrectly reducing their tax liabilities and receiving tax refunds to which they are not entitled.
- **Audit Fraud Indicators** - TIGTA estimates that taxpayers may have avoided additional assessments totaling approximately \$5.8 million (\$29 million over five years) in civil fraud penalties. Based on a sample of 100 office audits, TIGTA identified 26 audits with fraud indicators that were not recognized and investigated in accordance with key IRS procedures and guidelines. When the sample results were projected, it was estimated that fraud indicators were not recognized and investigated in approximately 939 office audits during FY 2010.

- ***AirCard and BlackBerry® Access fees*** - Improved policies and procedures can result in cost savings of \$5.9 million over five years. TIGTA found that cost savings can be achieved if the IRS ensures that only those employees with a valid business need are assigned an aircard and/or BlackBerry®, and provides more effective oversight and monitoring of these devices.

Description of Performance:

TIGTA uses two performance measures to gauge the success of the audit program performance. The first measure indicates that TIGTA's products are more likely to be used if they are delivered when needed to support congressional and IRS decision making. To determine whether products are timely, TIGTA tracks the percentage of products that are delivered on or before the date promised (contract date).

Additionally, TIGTA makes recommendations designed to improve the administration of the Federal tax system. The IRS must implement these recommendations to realize the financial or non-financial benefits. This second measure assesses TIGTA's effect on improving the IRS's accountability, operations, and services. Since the IRS needs time to act on recommendations, TIGTA uses the Department of the Treasury's Joint Audit Management Enterprise System to track the percentage of recommendations made four years ago that have been implemented, rather than the results of the activities during the fiscal year in which the recommendations are made. TIGTA tracks recommendations that have not been implemented by the IRS and has a formal process with the IRS to close out unimplemented recommendations where circumstances may have changed, or when the IRS has taken alternative corrective measures that address TIGTA's audit findings.

In FY 2013, the actual percentage of audit products delivered when promised to stakeholders was 84 percent against a full-year target of 70 percent. TIGTA exceeded this target as a result of ongoing supervisory monitoring of the execution of audits to ensure timely audit products to stakeholders. The actual percentage of recommendations made that have been implemented was 87 percent against a full-year target of 85 percent. TIGTA exceeded its target as a result of continued discussions with the IRS throughout the audit process, both on the findings and on potential recommended solutions, to better ensure that feasible alternatives were identified. For FY 2014, TIGTA lowered its target for timely delivery of audit products to reflect increased vacancies resulting from the FY 2013 hiring freeze. The hiring freeze, which has delayed recruitment for key audit positions, requires TIGTA to utilize acting roles for frontline managers and executive-level positions, resulting in extensive transition within TIGTA. For FY 2015, the target for percentage of audit products delivered when promised to stakeholders is 68 percent. The target for percentage of recommendations made that have been implemented is 85 percent.

3.1.1 – Audit Budget and Performance Plan

Dollars in Thousands

Audit Budget Activity								
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Operating Plan	Enacted	Request
Appropriated Resources	\$52,959	\$55,186	\$57,421	\$57,306	\$57,306	\$54,309	\$60,850	\$61,264
Reimbursable Resources	\$400	\$539	\$529	\$351	\$0	\$600	\$600	\$600
Budget Activity Total	\$53,359	\$55,725	\$57,950	\$57,657	\$57,306	\$54,909	\$61,450	\$61,864

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Percentage of Audit Products Delivered when Promised to Stakeholders	65.0	81.0	76.0	68.0	71.0	84.0	65.0	68.0
Percentage of Recommendations Made that Have Been Implemented	84.0	91.0	95.0	93.0	94.0	87.0	85.0	85.0

Key: DISC - Discontinued and B – Baseline

3B – Investigations

(\$96,155,000 from direct appropriations, and \$900,000 from reimbursable resources):

While most offices of Inspectors General focus primarily on waste, fraud, and abuse, TIGTA’s mission is more extensive. TIGTA’s statutory responsibility includes protecting the integrity of tax administration while protecting the IRS’s most valuable resource, its employees.

TIGTA’s investigative resources are allocated based upon a performance model that focuses on three primary areas of investigation:

- Employee integrity;
- Employee and infrastructure security; and
- External attempts to corrupt tax administration.

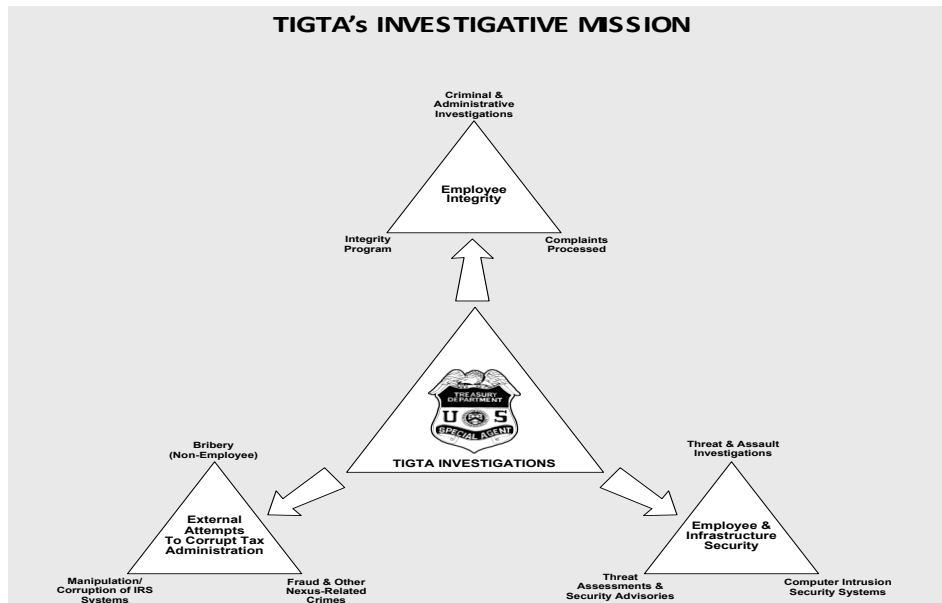


Figure 3: TIGTA's Investigative Mission

The performance model (Figure 3) results in reliable statistical data that is used to make mission-critical decisions regarding staffing, budgeting, and training. The performance model utilizes a ratio of those investigations that have the greatest impact on IRS operations or the protection of Federal tax administration to the total number of investigations conducted. These performance measures guide OI's activities and help to demonstrate the value of investigative accomplishments to external stakeholders.

Employee Integrity: IRS employee misconduct, real or perceived, erodes public trust and impedes the IRS's ability to effectively enforce tax laws. This misconduct manifests itself in a variety of ways, including misuse of IRS resources or authority, theft, fraud, extortion, taxpayer abuses, and unauthorized access to, and disclosure of, tax return information. During FY 2013, 50 percent of TIGTA's investigative body of work involved alleged employee misconduct. TIGTA's special agents possess the knowledge, skills, and expertise to investigate such matters. TIGTA's efforts convey a message to IRS employees that these types of activities will not go unchecked.

TIGTA promotes employee integrity by conducting proactive investigative initiatives to detect criminal and serious misconduct in the administration of IRS programs. During FY 2013, TIGTA initiated 77 proactive investigative initiatives to detect systemic weaknesses or potential IRS program vulnerabilities. A recent investigative focus identified seasonal IRS employees who continued to receive unemployment benefits after being recalled to work from furlough status by the IRS, resulting in dozens of arrests of IRS employees for this fraud.

TIGTA received 9,339 complaints and opened 3,326 investigations in FY 2013. During this time period, TIGTA also closed 3,266 investigations, which included 1,368 cases of employee misconduct referred for IRS action and 152 cases accepted for criminal prosecution. As a result

of a TIGTA investigation, a GS-15 IRS information technology specialist¹⁰ was sentenced to prison¹¹ for time and attendance fraud.¹²

Employee and Infrastructure Security: During FY 2013, TIGTA responded to 2,750 threat-related incidents. Tax revenue is critical to our Nation's infrastructure. Threats and assaults directed at IRS employees, facilities, data, and computer systems impede the effective administration of the Federal tax system. TIGTA has a statutory responsibility to identify, investigate, and respond to threats against IRS personnel and physical infrastructure.

TIGTA's authority to investigate threats and assaults is derived from the provisions of Title 26 U.S.C. § 7608(b), authority of internal revenue enforcement officers; the *Internal Revenue Service Restructuring and Reform Act of 1998* (RRA 98); the *Inspector General Act of 1978*, as amended, the *Inspector General Reform Act of 2008*; and is further summarized in Treasury Order 115-01. All reports of threats, assaults, and forcible interference against IRS employees performing their official duties are referred to the Office of Investigations. TIGTA has the necessary authority to access taxpayer information in support of ongoing investigations, including tax matters related to threats and assaults involving the IRS.

Over the past several years, the United States has experienced numerous violent incidents in schools, private offices, and public areas. These tragic events are unpredictable and result in numerous innocent people losing their lives or being severely injured. Despite the declining number of TIGTA special agents, TIGTA has processed over 8,600 threat-related complaints and investigated over 4,000 threats against IRS employees in FY 2009 through FY 2012.

For example, in January 2013, an Alaskan couple was sentenced to 25 years¹³ for the husband and 12 years¹⁴ for the wife of imprisonment for their role in a conspiracy to kill an IRS Revenue Officer and a United States District Court Judge engaged in the performance of their official duties.¹⁵ In another example, two Georgia men were sentenced to five years of imprisonment¹⁶ for obtaining an illegal explosive device as part of a conspiracy¹⁷ to attack IRS employees¹⁸ and Federal Government buildings.¹⁹

TIGTA's partnership with the IRS's Office of Employee Protection (OEP) to identify potentially dangerous taxpayers (PDTs) is one example of TIGTA's commitment to collaborating with the IRS and protecting IRS employees. If a taxpayer has been designated as potentially dangerous, TIGTA conducts a follow-up assessment of the taxpayer after five years and provides the IRS's

¹⁰ D. Md. Indict. Filed July 16, 2012.

¹¹ D. Md. Judgment filed April 19, 2013.

¹² *Id.*

¹³ D. Alaska Judgment filed January 8, 2013.

¹⁴ D. Alaska Judgment filed January 8, 2013.

¹⁵ D. Alaska Judgment (Karen Vernon) filed January 8, 2013; D. Alaska Judgment (Lonnie Vernon) filed January 8, 2013; D. Alaska First Superseding Indict. Filed March 17, 2011; and D. Alaska Third Superseding Indictment filed January 20, 2012.

¹⁶ N.D. Ga. Judgment filed August 22, 2012.

¹⁷ N.D. Ga. Guilty Plea and Plea Agr. Filed April 10, 2012.

¹⁸ N.D. Ga. Criminal Complaint filed April 10, 2012.

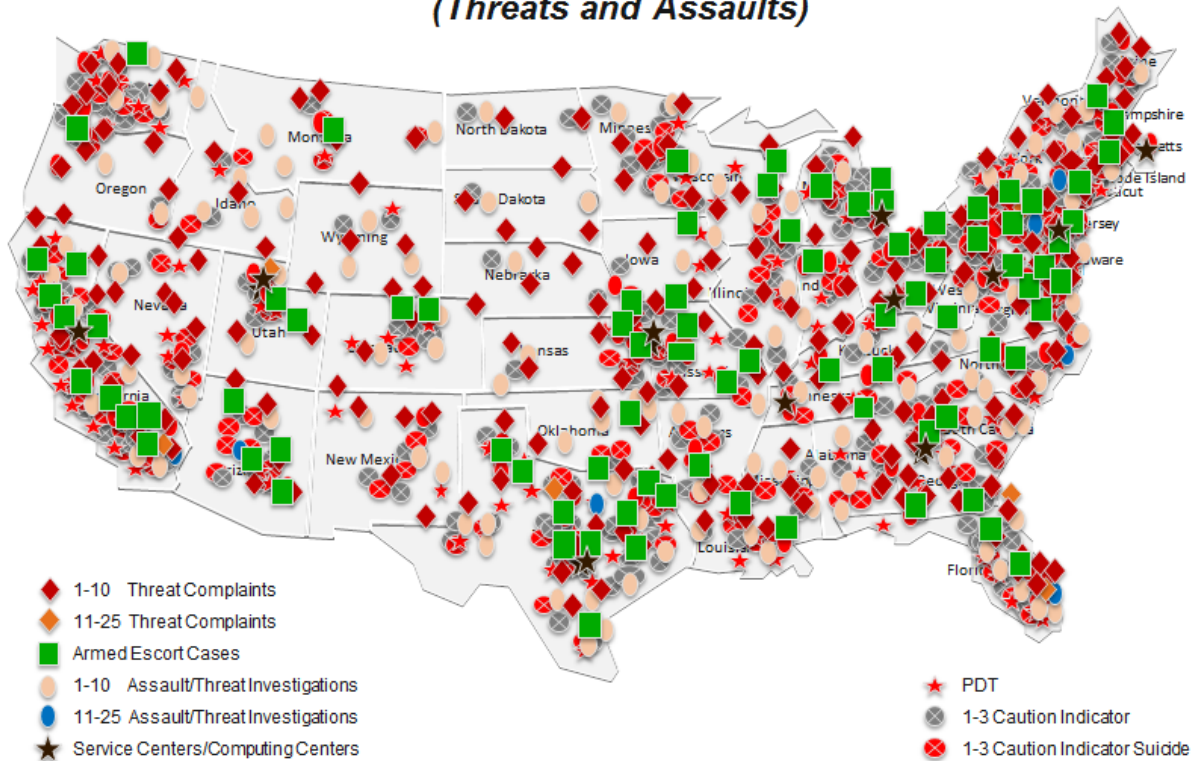
¹⁹ N.D. Ga. Criminal Indictment filed November 3, 2011.

OEP with information to determine if the taxpayer still poses a danger to IRS employees.

TIGTA's special agents are responsible for providing physical security, known as "armed escorts," to IRS employees in dangerous situations. TIGTA's special agents escort IRS employees when they require personal contact with a PDT. These armed escorts provide a safe environment for the IRS employee to conduct tax administration activities.

External Attempts to Corrupt Tax Administration: TIGTA is statutorily mandated to investigate external attempts to corrupt tax administration, which includes criminal misconduct by non-employees, such as attempted bribery of IRS employees and the impersonation of the IRS. A large portion of IRS employees are in direct contact with taxpayers and often encounter situations where a taxpayer may challenge the employee's integrity by offering a bribe. Bribery, or attempted bribery, of a public official is a criminal offense and it is an attack on the integrity of the entire IRS organization and the Nation's system of tax administration. TIGTA is currently investigating a nationwide IRS impersonation scheme in which criminals are pretending to be employees of the IRS and are attempting to collect phantom tax liabilities from innocent taxpayers. TIGTA received thousands of reports of this type of contact over the last three months of CY 2013.

Fiscal Year 2012 Investigative Activities (Threats and Assaults)



With adequate FY 2015 resources, TIGTA will have the necessary staffing to ensure these criminal acts are promptly investigated. Another key aspect of protecting the integrity of tax administration in today's environment is the oversight and investigation of IRS procurement matters. On average, the IRS awards approximately 900 contracts each year worth approximately \$31 billion in total contract value.²⁰ A 2012 Association of Certified Fraud Examiners report²¹ estimated that 5 percent of an organization's revenue is at risk of fraud on an annual basis. In the case of the IRS, this projection translates to approximately \$1.6 billion.

TIGTA focuses its contract fraud investigations on violations of the *False Claims Act*²² and associated criminal statutes. Each year, TIGTA brings in millions of dollars (Figure 4) to the Nation's treasury through court-ordered settlements and recoveries. With FY 2015 resources, TIGTA could proactively identify and address procurement fraud risks in IRS programs to help ensure that the IRS and taxpayers receive full value for the billions of contracting dollars spent.

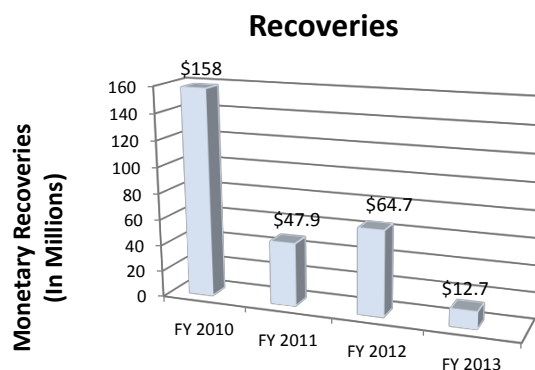


Figure 4: Contract Fraud Recoveries

3.1.2 – Investigations Budget and Performance Plan

Dollars in Thousands

Investigations Budget Activity								
Resource Level	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Operating Plan	Enacted	Request
Appropriated Resources	\$87,574	\$90,897	\$94,579	\$94,694	\$94,390	\$89,452	\$95,525	\$96,155
Reimbursable Resources	\$500	\$318	(\$442)	\$949	\$0	\$647	\$1,100	\$900
Budget Activity Total	\$88,074	\$91,215	\$94,137	\$95,643	\$94,390	\$90,099	\$96,625	\$97,055

Measure	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
	Actual	Actual	Actual	Actual	Actual	Actual	Target	Target
Percentage of Results from Investigative Activities	78.0	83.0	86.0	82.0	89.0	90.0	77.0	81.0

Key: DISC - Discontinued and B – Baseline

²⁰ The total dollar value of a contract over the life of the contract.

²¹ Association of Certified Fraud Examiners, "Report to the Nations on Occupational Fraud and Abuse," 2012.

²² 31 U.S.C. §§ 3729 - 3733

Description of Performance:

TIGTA's investigative performance model is a ratio of those investigations that have the greatest impact on IRS operations or the protection of Federal tax administration to the total number of investigations conducted. These performance measures guide OI's activities and help to demonstrate the value of investigative accomplishments to external stakeholders. The performance model provides reliable statistical data, which is used to make mission-critical decisions regarding investigative staffing, budgeting, and training.

From FY 2010 to FY 2013, TIGTA's performance goal remained at 79 percent. TIGTA lowered the FY 2014 performance goal to reflect increased job vacancies and the uncertainty resulting from the FY 2013 hiring freeze. This budget request will provide funding for TIGTA to enhance its performance of investigative activities.

Section 4 – Supplemental Information

4A – Summary of Capital Investments

Secure Information and Technology (IT) Mobility

As threats against the tax system continue to rise and evolve, TIGTA has made strategic investments to increase the mobility of TIGTA employees so that they can continue to work effectively wherever the need or threat dictates. Deployment of secure wireless computer networking infrastructure for the two major wireless technologies, specifically broadband (cellular) and Wi-Fi, are two such technologies enabled. Wireless communication has certain inherent risks, which, given the taxpayer privacy issues represented by the data that TIGTA uses and maintains, must be carefully managed. These capabilities are enabled with TIGTA-issued Homeland Security Presidential Directive-12 Personal Identity Verification cards which are required for access. The next iteration in the technical evolution is to examine and deploy a limited number of handheld devices that can be safely attached to the TIGTA domain and interact with its systems. While originally planned for technical investigation and feasibility analysis in FY 2013, budget reductions resulting from sequestration, rescission, and other business driven priorities did not permit any activity. Assuming that FY 2014 priorities and funding unfold as planned, all the initial determinations have been made. One benefit of the delay is that the technology ensuring the security of the device and the data continues to mature. This may facilitate pilot and any initial deployment efforts. The intent is to further enhance the flexibility, responsiveness, collaboration, and effectiveness of the TIGTA workforce.

Server and Storage Infrastructure

Far in advance of directives advising server consolidation and cloud technologies, TIGTA has been a leader in server virtualization and, because of the sensitivity of the data it handles, provides a “private cloud” style computing environment. In FY 2013 and FY 2014, TIGTA refreshed its server and storage area network with updated technology that is more energy efficient and cost effective. The virtualized infrastructure provides more computing power at lower cost with greater capability and provides increased resilience and availability. Early in FY 2014, TIGTA physically relocated its host infrastructure to the IRS Enterprise Computing Center in Martinsburg, WV. This initiative was in direct support of efforts to reduce TIGTA’s physical and carbon footprint and aligns with Treasury IT goals.

Refreshed Applications and Collaboration Environment

TIGTA continues its leadership in its use of collaborative tools that enable capture, storage, editing, distribution, and collaboration across the enterprise. As the platform approached end-of-life, near the end of FY 2013, TIGTA began the difficult and time-consuming process of updating the capability. Through FY 2014 and into FY 2015, TIGTA is building upon prior iterations and intends to incorporate new capabilities and feature sets into the sites that migrate to the modernized environment. Examination and evaluation of the requirements for legacy and new applications are expected to be substantially completed. This budget will allow TIGTA to continue investing in more powerful and more robust capabilities.

IT Governance and Total Cost of Ownership

In FY 2010, TIGTA established its new IT governance program. All new IT requests pass through a Change Management Board chaired by the Chief Information Officer. Requests requiring cross-functional activity or support, presenting high risk or significant cost, among other factors, are elevated to the Program Management Board (PMB) chaired by the Associate Inspector General for Mission Support and with representatives from all of the TIGTA functional units. Requests must present a total cost picture, a positive business case, and a high-level work breakdown schedule that are adjusted for risks, to gain PMB approval to commence work. Projects involving substantial financial commitments or high mission visibility require approval from the Investment Review Board, composed of TIGTA's senior executives. Refinements to the process are ongoing as projects evolve and the knowledge and experience base of the PMB grows.

By the end of FY 2013, TIGTA had extended its new governance process to all TIGTA functional units to help manage projects and priorities. Under TIGTA's program-management process, milestones for all projects are established and tracked. At any point, projects that have cost overruns, are behind schedule, or are not delivering at anticipated business performance levels, are analyzed for cause.

Law Enforcement Vehicles

Effective FY 2014, TIGTA acquired its vehicles by lease through GSA. However, TIGTA will maintain ownership of approximately ten (10) surveillance/communications vehicles. These ten vehicles will remain part of TIGTA's capital asset strategy. The vehicles will be used to support TIGTA's investigations and must meet the mission critical need to conduct criminal law enforcement activities. TIGTA communications vehicles will also be used in support of TIGTA's Continuity of Operations (COOP) Program. COOP provides a mechanism for the organization to recover full operational capabilities, which includes the ability to communicate during a local or national emergency.

A summary of capital investment resources, including major information technology and non-technology investments, can be viewed/downloaded at: <http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>