

The Treasury Inspector General for Tax Administration

Program Summary by Budget Activity

Dollars in thousands

Budget Activity	FY 2012	FY 2013	FY 2014	FY 2012 TO FY 2014	
	Enacted	Annualized CR Rate	Request	\$ Change	% Change
Audit	\$57,306	\$57,656	\$58,190	\$884	1.54%
Investigations	\$94,390	\$94,968	\$91,348	(\$3,042)	-3.22%
Subtotal, Treasury Inspector General for Tax Administration	\$151,696	\$152,624	\$149,538	(\$2,158)	-1.42%
Offsetting Collections - Reimbursables	\$900	\$900	\$1,000	\$100	11.11%
Total Program Operating Level	\$152,596	\$153,524	\$150,538	(\$2,058)	-1.35%
Direct FTE	835	835	835	0	0.00%
Reimbursable FTE	2	2	2	0	0.00%
Total FTE	837	837	837	0	0.00%

Summary

The FY 2014 President's Budget request for the Treasury Inspector General for Tax Administration (TIGTA) will be used to continue to provide critical audit, investigative, and inspection and evaluation services, ensuring the integrity of tax administration on behalf of the nation's taxpayers. While there are a number of critical areas where TIGTA will provide oversight, highlights include:

- Mitigating risks associated with modernization and security, procurement fraud, addressing the Tax Gap, implementing major tax law changes, and human capital challenges facing the IRS in domestic and international operations in order to identify opportunities to improve administrations of the Nation's tax laws;
- 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 and attacks against IRS employees, property, data infrastructure, and sensitive information;

- Improving the integrity of IRS operations by preventing, detecting and deterring fraud, waste, abuse or misconduct by IRS employees;
- Conducting comprehensive audits, inspections and evaluations that include recommendations for monetary benefits, addressing erroneous and improper payments, and enhancing IRS's service to taxpayers;
- Informing the American people, the Congress, and the Secretary of the Treasury of problems and progress made to resolve them; and
- Overseeing the IRS's efforts to administer tax provisions of the *Patient Protection and Affordable Care Act*, and the *Health Care and Education Reconciliation Act of 2010 (ACA)*.

TIGTA was created by the Congress as a part of the *Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98)*. TIGTA's audits, investigations, inspections and evaluations protect and promote the fair administration of the American tax system. TIGTA conducts audits that advise the American people, the Congress, the Secretary

of the Treasury, and IRS management of high-risk issues, problems, and deficiencies related to the administration of IRS programs and operations. TIGTA's audit recommendations improve IRS systems and operations, while maintaining fair and equitable treatment of taxpayers. TIGTA's investigations ensure the integrity of IRS employees, contractors, and other tax professionals; provide for infrastructure security; and protect the IRS from external attempts to threaten or corrupt the administration of the tax laws. TIGTA's Office of Inspections and Evaluations (I&E) provides responsive, timely, and cost-effective inspections and evaluations of IRS challenge areas. TIGTA's oversight is essential to the efficiency and equity of the IRS's tax administration system. TIGTA ensures that taxpayers can have confidence that the IRS collects more than \$2 trillion in tax revenue in an effective and efficient manner.

Total resources required to support TIGTA activities for FY 2014 are \$150,538,000, including \$149,538,000 from direct appropriation and \$1,000,000 from offsetting collections and reimbursable programs.

TIGTA FY 2014 Budget Highlights

Dollars in Thousands

Treasury Inspector General for Tax Administration	FTE	Amount
FY 2012 Enacted	835	\$151,696
FY 2013 Annualized CR Rate	835	\$152,624

Changes to Base:

Adjustment to Request	-	\$1,210
Adjustment to FTE Estimate	(29)	-
Non-Recur CR Increase	-	(\$928)
Program Reductions & Efficiencies Proposed in FY 2013	-	(\$2,362)
Oversight of IRS Implementation of Affordable Care Act Proposed in FY 2013	29	\$4,500
Maintaining Current Levels (MCLs):	-	\$1,602
Pay-Raise	-	\$1,104
Non-Pay	-	\$498
Efficiency Savings:	-	(\$383)
Strategically Replacing Series 1811 Investigators with non-1811 Staff	-	(\$383)
Subtotal Changes to Base	-	\$2,429
Total FY 2014 Base	835	\$155,053

Program Changes:

Program Decreases:	-	(\$5,515)
Program Reductions and Efficiencies	-	(\$4,675)
Reducing RRA 98 Reporting Requirements	-	(\$840)
Total FY 2014 Request	835	\$149,538

FY 2014 Budget Adjustments

Adjustments to Request

Adjustment to FTE Estimate +\$0 / -29 FTE

Adjustment to FTE based on projected utilization.

Non-Recur CR Increase -\$928,000 / +0 FTE

The across-the-board 0.612 percent increase provided in the CR through March 27, 2013 is non-recurred.

Program Reductions & Efficiencies Proposed in FY 2013 -\$2,362,000 / +0 FTE

TIGTA has closely scrutinized its budget for cost-saving opportunities. Reaching this savings target without impacting the quality of TIGTA's programs will require a combination of actions. All vacancies are examined to determine the impact of delayed back-filling and will strategically identify positions where longer lapses will have the smallest impact on mission. TIGTA is also lowering its administrative costs by 20 percent compared to FY 2010 levels. TIGTA has aggressively implemented telework and office right-sizing

measures in order to reduce its footprint, and has decreased its contribution for Council of the Inspectors General on Integrity & Efficiency (CIGIE).

Oversight of IRS Implementation of Affordable Care Act Proposed in FY 2013 +\$4,500,000 / +29 FTE

The IRS components of the new ACA legislation are a cornerstone of the Administration's plan to expand coverage for millions of Americans. TIGTA is in a unique position to ensure that IRS implements the law effectively, substantiate the integrity of the program, and reassure lawmakers that the program functions properly. TIGTA has often paved the way for new initiatives that are administered through the tax code. TIGTA's work requires close coordination among its Audit, Investigations, and Inspections and Evaluation functions. Each program office brings unique skills and experience, but the bureau's overall success depends greatly upon these offices' close collaboration. The success of the new ACA program will depend on the government's ability to assure taxpayers that the new changes are properly administered.

Maintaining Current Levels (MCLs)

Pay-Raise +\$1,104,000 / +0 FTE

The President's Budget proposes a 1 percent pay-raise for federal employees in 2014.

Non-Pay +\$498,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment.

Efficiency Savings

Strategically Replacing Series 1811 Investigators with non-1811 Staff -\$383,000 / +0 FTE

TIGTA has reorganized its operations and hiring emphasis so that by FY 2014, a goal of four positions currently filled by series 1811 investigators will be replaced by non-1811

staff. This will be done by focusing on the requisite career experience and skills of new hires rather than on the job series. TIGTA is committed to finding the most efficient staffing pattern to carry out its investigative work.

Program Decrease

Program Reductions and Efficiencies

-\$4,675,000 / +0 FTE

TIGTA continues to identify cost-savings in travel, training, contracts, and rent. Further cuts will be made in these areas to reduce budget impact on TIGTA's staffing levels. If necessary, TIGTA will examine all vacancies to determine the impact of delayed back-filling and will strategically identify positions where longer lapses will have the smallest impact on mission.

Reducing RRA 98 Reporting Requirements

-\$840,000 / +0 FTE

Reducing the reporting requirements identified in TIGTA's charter document, RRA 98 will generate \$840,000 in savings. However, these reductions would require statutory change and are further discussed in the Legislative Proposals section of this document.

Explanation of Budget Activities

Audit (\$58,190,000 from direct appropriations, \$600,000 from reimbursable resources)

The Office of Audit's (OA) mission is to provide comprehensive coverage and oversight of all aspects of the IRS's daily operations. Audits not only focus on the economy and efficiency of IRS functions but also ensure that taxpayers' rights are protected and the taxpaying public is adequately served. During FY 2012, audit reports produced potential financial benefits of approximately \$22.7 billion, and potentially affected approximately 7.6 million taxpayer accounts in areas such as taxpayer burden, rights and entitlements, taxpayer privacy and security, protection of resources/reliability of

information, and increased revenue/revenue protected. Each fiscal year, OA develops an annual audit plan that communicates oversight priorities to the Congress, the Department of the Treasury, and the IRS. OA strategically evaluates IRS program, activities, and functions to develop an annual audit plan that targets resources toward the areas of highest vulnerability to the Nation's tax system. The Audit program incorporates both statutory audit coverage and specific audits identified through TIGTA's risk assessment process. By focusing on the most critical areas, OA ensures that audits of IRS programs and operations identify and recommend improvements that add value while addressing high-risk tax administration issues. Audit results to date illustrate the need for continued oversight over many of the tax-related ACA provisions. In FY 2013 and FY 2014 several key ACA provisions will become effective, but FY 2014 will be a significant year for oversight.

Investigations (\$91,348,000 from direct appropriations, \$400,000 from reimbursable resources)

TIGTA has the statutory responsibility to protect the integrity of tax administration and to protect the ability of the IRS to collect revenue for the federal government. To accomplish this, TIGTA investigates allegations of criminal activity and serious misconduct committed by IRS employees, protects the IRS against external attempts to corrupt tax administration, and ensures IRS employee safety and IRS data and infrastructure security. The following summaries highlight TIGTA's investigative efforts in these three core areas:

Employee Integrity: IRS employee misconduct can erode public trust and impede the IRS's ability to effectively enforce tax laws. An estimated forty-eight percent of TIGTA's current investigations involve alleged employee misconduct. In addition to

unauthorized access (UNAX) integrity lapses, employee integrity investigations include misuse of IRS computer systems, extortion, thefts of Government property and taxpayer remittances, taxpayer abuse, false statements, and financial fraud. TIGTA also administers a proactive integrity program to help detect criminal and serious misconduct in the administration of IRS programs.

Employee and Infrastructure Security: Physical violence, harassment, and intimidation of IRS employees pose some of the most significant challenges to the implementation of a fair and effective system of tax administration. OI places high priority on its oversight of IRS employee safety and physical security, protecting approximately 100,000 employees and more than 700 facilities throughout the country. TIGTA maintains IRS employee and infrastructure security by conducting investigations into incidents that threaten IRS employees, facilities, and infrastructure. TIGTA works aggressively and takes swift action to protect IRS employees, to include the providing of armed escorts. In October 2008, the *Inspector General Reform Act of 2008* was signed into law, which allows TIGTA to provide physical security to protect IRS employees against external threats. TIGTA also operates the Electronic Crimes and Intelligence Division which facilitates pertinent information regarding potential threats to IRS employees and operations. This division participates with the Federal Bureau of Investigation sponsored National Joint Terrorism Task Force and the Domestic Terrorism Operations Units nationwide.

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 bribes. TIGTA continues to

receive and investigate allegations of potential fraud and misconduct involving IRS procurement. This trend is expected to increase and remains a key aspect of protecting tax administration in today's environment.

Legislative Proposals

TIGTA proposes eliminating certain reviews required by RRA 98 which add little value to mission achievement. Eliminating these statutory reporting requirements will allow TIGTA to achieve savings and to reinvest resources to conduct high-risk audits. TIGTA proposal includes eliminating reporting requirements in the following areas:

- The requirement to report information regarding any administrative or civil actions related to Fair Tax Collection Practices violations in one of TIGTA's Semiannual Reports. This pertains to 26 U.S.C. § 7803(d) (1)(G).
- The requirement to review and certify annually that IRS is complying with the requirements of 26 U.S.C. §

6103(e) (8) regarding information on joint filers.

- The requirement to annually report on the IRS compliance with 26 U.S.C. §§ 7521(b) (2) and (c) requiring IRS employees to stop a taxpayer interview whenever a taxpayer requests to consult with a representative and to obtain their immediate supervisor's approval to contact the taxpayer instead of the representative if the representative has unreasonably delayed the completion of an examination or investigation.
- The annual reporting requirement for the remaining RRA 98 provisions, net of the evaluation of the adequacy and security of the technology of the IRS, should be revised to a biennial reporting requirement.

TIGTA Performance by Budget Activity

Budget Activity	Performance Measure	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
		Actual	Actual	Actual	Target	Target
Audit	Percentage of Audit Products Delivered when Promised to Stakeholders	76.0	68.0	71.0	70.0	65.0
Audit	Percentage of Recommendations Made that Have Been Implemented	95.0	93.0	94.0	85.0	85.0
Investigations	Percentage of Results from Investigative Activities	86.0	82.0	89.0	79.0	77.0

Key: DISC - Discontinued and B - Baseline

Description of Performance

- For FY 2012, TIGTA issued 117 audit, inspection and evaluation reports,

identifying approximately \$22.7 billion in potential financial benefits (i.e., costs savings, increased or protected revenue,

taxpayer rights and entitlements, and inefficient use of resources).

- For FY 2012, the actual percentage for audit products delivered when promised to stakeholders was 71 percent. TIGTA exceeded this target by 1 percent as a result of monitoring the execution of its audit programs. The FY 2012 actual percentage for recommendations made that have been implemented was 94 percent. TIGTA exceeded its target by nine percent as a result of continued discussions throughout the audit process.
- For FY 2014, OA targets for audit products delivered when promised to stakeholders is 65 percent and for recommendations made that have been implemented is 85 percent. TIGTA lowered the FY 2014 targets to reflect increased vacancies and the uncertainty resulting from the FY 2013 hiring freeze. The staffing vacancies are a result of retirements and job reassignments. The hiring freeze, which has delayed recruitment for key audit

positions, will require TIGTA to extend acting roles for frontline managers and executive level positions.

- For FY 2012, OI closed 89 percent of the 3,446 final closed investigations which generated results, including 1,459 cases of employee misconduct referred to the IRS for action and 164 cases accepted for prosecution.
- For FY 2013 and FY 2014, OI will continue to use the performance model to measure its effectiveness, guide activities, and demonstrate its accomplishments to stakeholders.
- The FY 2014 performance target for OI is 77 percent, a 12 percent decrease from the FY 2012 actual of 89 percent. TIGTA's inability to backfill positions as a result of the FY 2013 hiring freeze, and the loss of experienced investigators attributed to this decrease.