

Department of the Treasury
Treasury Inspector General for
Tax Administration

Congressional Budget
Justification and Annual
Performance Plan and Report

FY 2020

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Section I – Budget Request

A – Mission Statement

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

B – Summary of the Request

The Treasury Inspector General for Tax Administration’s (TIGTA) Fiscal Year (FY) 2020 budget request of \$166,000,000 represents a decrease of 2.1 percent below its FY 2019 Annualized Continuing Resolution (CR) budget. Funding TIGTA’s FY 2020 budget request will enable TIGTA to attempt to address its expansive workload of emerging Internal Revenue Service (IRS) challenges and congressional requests while conducting its oversight responsibilities. These resources will fund critical audit, investigative, and inspection and evaluation 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),¹ TIGTA submits the following information related to its FY 2020 budget request:

- The aggregate budget request for TIGTA operations is \$166,000,000;
- The portion of the request needed for TIGTA training is \$1,800,000; and
- The portion of the request needed to support the Council of the Inspectors General on Integrity and Efficiency is \$431,600.

TIGTA’s vision is to maintain a highly skilled, proactive, and diverse Inspector General organization dedicated to working in a collaborative environment with key stakeholders to foster and promote fair tax administration. TIGTA’s primary functions of audit, investigations, inspections and evaluations align with the following Department of the Treasury FY 2018 – FY 2022 Strategic Plan goals:

- Goal 1: Boost U.S. Economic Growth;
- Goal 4: Transform Government-wide Financial Stewardship; and
- Goal 5: Achieve Operational Excellence.

For more on how TIGTA’s budget activities align with the Department of the Treasury goals and objectives see Section II in this document.

TIGTA’s Strategic Goals:

- Promote the economy, efficiency, and effectiveness of tax administration;
- Protect the integrity of tax administration from internal and external threats; and
- Sustain an inclusive work environment where employees are valued.

TIGTA’s work is focused on all aspects of activity related to the Federal tax system as administered by the IRS. TIGTA identifies and addresses IRS management challenges and the priorities of the Department of the Treasury. TIGTA protects the public’s confidence in the tax system.

¹ 5 U.S.C. app. 3 § 6(f)(1).

1.1 – Appropriations Detail Table

Dollars in Thousands

Treasury Inspector General for Tax Administration		FY 2018 *		FY 2019		FY 2020		FY 2019 to FY 2020		
Appropriated Resources		Enacted		Annualized CR		Request		Change		% Change
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Audit	318	\$66,020	333	\$66,020	333	\$64,606	0	(\$1,414)	0.00%	-2.14%
Investigations	446	\$103,614	467	\$103,614	467	\$101,394	0	(\$2,220)	0.00%	-2.14%
Subtotal New Appropriated Resources	764	\$169,634	800	\$169,634	800	\$166,000	0	(\$3,634)	0.00%	-2.14%
Other Resources										
Reimbursables	2	\$414	2	\$600	2	\$600	0	\$0	0.00%	0.00%
Recovery from Prior Years		\$1,831		\$0		\$0	0	\$0	NA	NA
Unobligated Balances		\$4,300		\$4,400		\$5,000	0	\$600	NA	13.64%
Brought Forward										
Subtotal Other Resources	2	\$6,545	2	\$5,000	2	\$5,600	0	\$0	0.00%	12.00%
Total Budgetary Resources	766	\$176,179	802	\$174,634	802	\$171,600	0	(\$3,034)	0.00%	-1.74%

* FY 2018 FTE and Other Resources are Actuals. This column reflects levels appropriated in P.L. 115-141, the Consolidated Appropriations Act of 2018. For further details on the execution of these resources see the 2020 Budget *Appendix* chapter for the Department of the Treasury.

1.2 – Budget Adjustments Table

Dollars in Thousands

Treasury Inspector General for Tax Administration	FTE	Amount
FY 2019 Annualized CR	800	\$169,634
Changes to Base:		
Maintaining Current Levels (MCLs):	0	\$558
Non-Pay	0	\$558
Subtotal Changes to Base	0	\$558
FY 2020 Base	800	\$170,192
Program Changes:		
Program Decreases:	0	(\$4,697)
Non-Personnel Reductions	0	(\$4,697)
Program Increases:	0	\$505
Operation and Maintenance (O&M) of Prior-year Enterprise-wide Cybersecurity Investments	0	\$505
Subtotal FY 2020 Program Changes	0	(4,192)
Total FY 2020 Request	800	\$166,000

C – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs)+\$558,000 / +0 FTE

Non-Pay +\$558,000 / +0 FTE

Funds are requested for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

Program Decreases-\$4,697,000 / -0 FTE

Non-Personnel Reductions -\$4,697,000 / +0 FTE

TIGTA will reduce program levels in order to meet its FY 2020 budget request. Reaching this target without impacting the quality of TIGTA’s programs will require balancing mission requirements and workload.

TIGTA will continue to look for contract efficiencies by evaluating contracts for strategic sourcing and by negotiating more advantageous contract terms. Additionally, TIGTA will continue to pursue opportunities to reduce its footprint and lower its rent costs.

Program Increases+\$505,000 / +0 FTE
O&M of Prior-year Enterprise-wide Cybersecurity Investments +\$505,000 / +0 FTE

The FY 2020 request includes funding to support O&M for prior year cybersecurity Enhancement Account investments. O&M will be funded by Treasury Bureaus through Treasury Franchise Fund billing. This increase represents the bureau’s portion of the \$17.5 million O&M total.

1.3 – Operating Levels Table

Dollars in Thousands

Treasury Inspector General for Tax Administration Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 - Full-time permanent	86,873	86,851	86,851
11.3 - Other than full-time permanent	393	393	393
11.5 - Other personnel compensation	8,332	8,330	8,330
11.9 - Personnel Compensation (Total)	95,598	95,574	95,574
12.0 - Personnel benefits	37,662	37,652	37,652
13.0 - Benefits for former personnel	0	0	0
Total Personnel and Compensation Benefits	\$133,260	\$133,226	\$133,226
21.0 - Travel and transportation of persons	3,794	3,798	3,794
22.0 - Transportation of things	15	15	16
23.1 - Rental payments to GSA	9,600	9,608	9,600
23.2 - Rental payments to others	200	200	200
23.3 - Communications, utilities, and miscellaneous charges	740	741	360
24.0 - Printing and reproduction	8	8	8
25.1 - Advisory and assistance services	1,800	1,802	2,205
25.2 - Other services from non-Federal sources	1,000	1,001	900
25.3 - Other goods and services from Federal sources	11,090	11,100	9,300
25.4 - Operation and maintenance of facilities	16	16	17
25.7 - Operation and maintenance of equipment	2,989	2,992	1,634
26.0 - Supplies and materials	700	701	540
31.0 - Equipment	4,298	4,302	4,101
42.0 - Insurance claims and indemnities	5	5	4
91.0 - Unvouchered	119	119	95
Total Non-Personnel	\$36,374	\$36,408	\$32,774
New Budgetary Resources	\$169,634	\$169,634	\$166,000
FTE	764	800	800

Note: This table includes obligations against funding appropriated in that year (Enacted for FY 2018, FY 2019 Annualized CR, and FY 2020).

D – 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 <i>Federal Funds</i></p> <p style="text-align: center;">SALARIES AND EXPENSES</p> <p><i>For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, as amended, including purchase 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; \$166,000,000, of which \$5,000,000 shall remain available until September 30, 2021; 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></p> <p>Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.</p>	

E – Legislative Proposals

TIGTA has no legislative proposals.

Section II – Annual Performance Plan and Report

A – Strategic Alignment

TIGTA, an independent office within the Department of the Treasury, was established by Congress under the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98).² It provides independent oversight of IRS activities by conducting independent audits, investigations, and inspections and evaluations necessary to prevent and detect waste, fraud, and abuse in IRS programs and operations. TIGTA conducts audits of the IRS's operations and 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 data. TIGTA also has the unique responsibility of protecting the IRS and its employees. TIGTA's role is important given the increased emphasis by the Administration, Congress, and the American people on the Federal Government's accountability and efficient use of resources.

TIGTA's budget activities align with its vision and goals and with the Department of the Treasury's FY 2018 – FY 2022 Strategic Plan, including objectives under the following goals:

Goal 1: Boost U.S. Economic Growth

Objective 1.1 – Tax Law Implementation: Administer tax law to better enable all taxpayers to meet their obligations, while protecting the integrity of the tax system.

TIGTA supports the Treasury strategic objective "Tax Law Implementation" under Goal 1 through its oversight of Treasury's efforts to implement the Tax Cuts and Jobs Act of 2017 (TCJA) and by protecting of the integrity of Federal tax administration. Implementation of the sweeping changes included in TCJA necessitated TIGTA oversight to ensure the IRS timely and accurately addresses requirements to update tax forms, instructions and publications, as well as to reprogram its computer systems to ensure that tax returns are accurately processed based on the new legislation. This oversight is accomplished through discretionary audit coverage and by monitoring progress on addressing the major management and performance challenge of "Implementing the Tax Cuts and Jobs Act and Other Law Changes."

Goal 4: Transform Government-wide Financial Stewardship

Objective 4.1 – Financial Data Access/Use: Increase the access and use of Federal financial data to strengthen Government-wide decision-making, transparency, and accountability.

TIGTA supports the Department of the Treasury's Digital Accountability and Transparency Act efforts by implementing the related policies and requirements. Many of TIGTA's audits include recommendations that, when implemented, would result in cost savings, increased or protected revenue, or more efficient use of resources. Additionally, TIGTA develops advanced analytics and innovative approaches to help prevent and detect the flow of dollars fraudulently obtained by criminals or IRS employees and provides the IRS with the investigative coverage and information necessary to mitigate domestic and foreign threats against its employees, facilities, and data systems.

² Pub. L. No. 105-206, 112 Stat. 685.

Goal 5: Achieve Operational Excellence

Objective 5.1 – 5.3 Workforce Management, Treasury Infrastructure, and Customer Value.

TIGTA hires and develops a workforce with the skills and competencies necessary to accomplish its mission to provide quality professional audit, investigative, and inspection and evaluation services related to the administration of the Nation’s tax system. TIGTA mitigates security risks affecting taxpayer data, tax systems, and IRS employees. It effectively improves customer value by protecting the IRS and its employees and responding to attempts to impersonate the IRS for fraudulent purposes. TIGTA prioritizes acquisition and application of human and financial resources to enhance its ability to detect and protect against cyber-attacks. Additionally, TIGTA collaborates with the IRS to share intelligence and expertise to thwart cyberthreats.

B – Budget and Performance by Budget Activity

2.1.1 – Audit Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	\$53,763	\$57,463	\$59,752	\$64,240	\$61,099	\$66,020	\$64,606
Reimbursable Resources	\$600	\$382	\$60	0	0	0	0
Unobligated Balances Brought Forward	0	\$1,808	\$1,780	\$1,524	\$1,674	\$1,712	\$1,946
Budget Activity Total	\$54,363	\$59,653	\$61,592	\$65,764	\$62,773	\$67,732	\$66,552
FTE	309	316	329	333	318	333	333

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of Audit Products Delivered When Promised to Stakeholders	65	80	75	79	81	68	68	70
Percentage of Recommendations Made That Have Been Implemented	89	92	97	92	85	85	85	85

Audit Budget and Performance

(\$64,606,000 from direct appropriations):

TIGTA’s Office of Audit (OA), 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 program incorporates both statutory audit requirements and specific audits identified through TIGTA’s risk assessment process. TIGTA’s audit work is concentrated on high-risk areas and on the IRS’s progress in achieving its strategic goals. TIGTA strategically evaluates IRS programs, activities, and functions, so that resources are spent in the areas of highest vulnerability of the Nation’s system of tax administration. In FY 2018, OA issued 102 final audit reports, and other products, that included potential financial benefits totaling approximately \$9.9 billion and affected approximately 2.6 million taxpayer accounts. TIGTA’s Annual Audit Plan communicates its 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 detection and prevention, security of taxpayer data, tax compliance, tax law changes, fraudulent claims and

improper payments, tax systems and online services, and globalization. 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.

By focusing on the most critical high-risk areas, TIGTA's recommendations not only result in cost savings but also have other quantifiable impacts, such as the protection of existing revenue, increased revenue, and reduction of the number of fraudulent refunds and improper payments.

TIGTA's reports for FY 2018 addressed issues that included:

- **Identity Theft** - Since TIGTA's first business identity-theft report in September 2015, the IRS has created business identity-theft filters and selection lists to identify potential business identity-theft returns. However, during a recent review, TIGTA found that certain types of business tax returns are not being evaluated for potential identity theft. In Processing Year 2017, TIGTA identified 15,127 business tax returns with refunds totaling more than \$200 million that would have been identified as potentially fraudulent if current business identity-theft filters were applied to these tax returns. TIGTA also reported that the IRS needs to take actions to protect refunds associated with confirmed business identity theft from being erroneously released. TIGTA identified 872 business tax returns identified by the IRS as identity-theft returns in Processing Year 2016 for which refunds totaling more than \$61 million appear to have been released in error.
- **Filing Season** - TIGTA conducted a review to evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2017 Filing Season. The Office of Audit found that the IRS generally developed processes to implement key tax provisions affecting the 2017 Filing Season. The IRS processed 5.1 million tax returns that reported nearly \$23.9 billion in Premium Tax Credits that were either received in advance or claimed at the time of filing. However, TIGTA found that taxpayers received \$5.8 billion in Advance Premium Tax Credits to which they were not entitled, of which \$3.5 billion was not required by law to be repaid.
- **Improving Tax Compliance** - To enhance its enforcement actions, the IRS implemented the Private Debt Collection (PDC) program, to collect inactive tax receivables that the IRS previously could not collect. The Joint Committee on Taxation estimated that the current PDC program would yield approximately \$2.4 billion in additional revenue through FY 2025. TIGTA reported as of May 31, 2018, that the PDC program generated \$56.6 million in revenue compared to \$55.3 million in costs for an approximate net profit of \$1.3 million. The Private Collection Agencies (PCA) collected just 1 percent of the \$4.1 billion assigned. Possible causes of the nominal collection yield could be the average age of the cases assigned (4 years), assignment of low-income taxpayers (54 percent of PDC inventory), lack of consequences for subsequent noncompliance, or taxpayers who willfully failed to pay. Other PDC program concerns include the lack of a referral unit, the reliance on PCAs to self-report complaints, authentication procedures that expose taxpayers to risk, and PDC communication strategies that differ from IRS communications regarding tax scams.
- **Achieving Program Efficiencies and Cost Savings** - After payroll, rent is the IRS's largest operating expense, which the IRS expected to spend more than \$600 million on real estate costs in FY 2018. Since March 2012, the IRS has taken steps to reduce its total office space

by nearly 8 percent by either closing or consolidating office spaces. Although progress has been made, the rate of employee attrition has outpaced office space reduction efforts. The IRS's workstation utilization rate was only 66 percent as of December 2017. TIGTA reported that changing the method by which the IRS develops and implements its space reduction projects to incorporate more effective workstation and office sharing could reduce the need for as many as 10,473 workspaces. By releasing these underutilized workspaces and the square footage of leased space associated with them, the IRS could achieve more than \$80 million in rental cost savings over the next five years.

Description of Performance:

TIGTA uses two performance measures to gauge the success of its audit program. 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 decisionmaking. To determine whether products are timely, TIGTA tracks the percentage of products that are delivered on or before the date promised (contract date).

The second measure assesses TIGTA's effect on improving the IRS's accountability, operations, and services. 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. 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 four-year-old recommendations 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 it has a formal process with the IRS to close out unimplemented recommendations in situations in which circumstances may have changed or when the IRS has taken alternative corrective measures to address TIGTA's audit findings.

At the end of FY 2018, the actual Percentage of Audit Products Delivered When Promised to Stakeholders was 81 percent, which exceeded the full-year target of 68 percent. TIGTA exceeded this target as a result of ongoing supervisory monitoring of the execution of audits to ensure timely delivery of audit products to stakeholders. At the end of FY 2018, the actual Percentage of Recommendations Made That Have Been Implemented was 85 percent, which met the full-year target of 85 percent. TIGTA met its target because of continued discussions with the IRS throughout the audit process concerning both the findings and the potential recommended solutions, to ensure that feasible alternatives were identified.

For FY 2020, the target for Percentage of Audit Products Delivered When Promised to Stakeholders will increase to 70 percent. The target for Percentage of Recommendations Made That Have Been Implemented will remain at 85 percent. TIGTA believes that these measures are best attained through effective monitoring of ongoing audit work and essential communication with the IRS regarding findings and the most appropriate recommendations for corrective action. Consequently, TIGTA's OA will continue to accentuate the importance of these processes with the management cadre and staff.

2.1.2 – Investigations Resources and Measures

Dollars in Thousands

Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources	\$95,748	\$101,476	\$108,106	\$100,819	\$107,501	\$103,614	\$101,394
Reimbursable Resources	\$1,100	\$429	\$475	\$357	\$414	\$600	\$600
Unobligated Balances Brought Forward	0	\$3,192	\$3,220	\$2,392	\$2,626	\$2,688	\$3,054
Budget Activity Total	\$96,848	\$105,097	\$111,801	\$103,568	\$110,541	\$106,902	\$105,048
FTE	433	442	460	469	448	469	469

Performance Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percentage of Closed Investigations Resulting in a Criminal, Administrative, or Law Enforcement Action	92	93	90	90	89	79	79	81

Investigations Budget and Performance

(\$101,394,000) from direct appropriations and \$600,000 from reimbursable resources):

In addition to protecting the IRS’s ability to collect the majority of the revenue for the Federal Government’s operations, TIGTA, through its Office of Investigations (OI), has the statutory responsibility of protecting the integrity of tax administration, as well as 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.

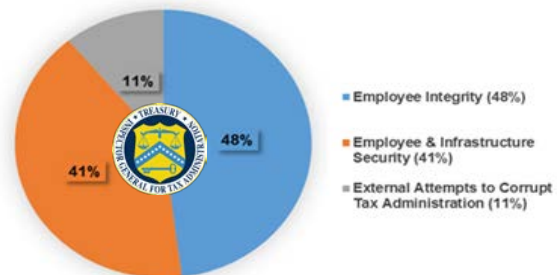


Figure 1: Investigative Performance Model

The performance model (Figure 1) uses 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 TIGTA’s investigative accomplishments to its external stakeholders.

Employee Integrity: IRS employee misconduct, real or perceived, erodes public trust and impedes the IRS’s ability to enforce tax laws effectively. In FY 2018, 48 percent of TIGTA’s body of investigative work involved alleged employee misconduct. TIGTA’s investigative results convey a message to IRS employees that these types of activities will not go unchecked. TIGTA processed 10,676 complaints, opened 2,588 investigations, and closed 2,573 investigations in FY 2018. During this period, 151 investigations of all types were accepted for criminal prosecution, and TIGTA referred for IRS action 1,135 cases of employee misconduct. As a result of one of TIGTA’s investigations into employee misconduct, a former IRS special agent was sentenced to 51 months’ imprisonment for corrupt interference with the IRS, filing

false tax returns, theft of Government funds, and destruction or falsification of records. In another case, a former IRS employee was sentenced to 52 months' imprisonment, followed by 36 months' supervised release for stealing a taxpayer's identity.

Employee and Infrastructure Security: In FY 2018, TIGTA responded to 1,556 threat-related incidents. TIGTA has a statutory responsibility to identify, investigate, and respond to threats against IRS personnel and physical infrastructure. TIGTA also believes that, through its investigations of threat-related incidents, it is creating a safe and secure environment for taxpayers who need to conduct business with the IRS. From FY 2011 through FY 2018, TIGTA has processed more than 17,293 threat-related complaints and investigated more than 9,290 threats against IRS employees. After one investigation, a man was convicted for forcibly assaulting an unarmed IRS revenue officer by pointing a shotgun at him and threatening to shoot him.

External Attempts to Corrupt Tax Administration: TIGTA is statutorily mandated to investigate external attempts to corrupt tax administration, which include criminal misconduct by nonemployees, such as impersonation of the IRS, attempted bribery of IRS employees, international cybercrime and identity theft, and procurement fraud.

Impersonation Scam: Since summer 2013, a significant part of TIGTA's workload has consisted of investigating a telephone impersonation scam in which a victim receives an unsolicited telephone call from a person claiming to be an IRS agent. The caller, using a fake name, provides a "badge number" and claims the victim owes taxes and is criminally liable for the amount owed. The victim is threatened that if he or she fails to pay the tax immediately, the victim will be arrested, a suit will be filed, or some other form of adverse action will be taken. As of September 30, 2018, more than 2.4 million Americans have reported that they had received one of these calls, and more than 14,700 victims have reported that they had collectively paid upwards of \$72.8 million to the scammers. As a direct result of TIGTA's investigative efforts, in July 2018, 21 criminal participants in this telephone scam were sentenced to terms of imprisonment up to 20 years. In September 2018, 15 defendants and five India-based call centers were indicted for their alleged involvement. As of September 30, 2018, a total of 130 individuals have been charged in Federal court for their roles in the scam.³

International Cybercrime and Identity Theft: The increasing number of data breaches in the private and public sectors means more personally identifying information than ever before is available to unscrupulous individuals. The Office of Investigations' highly specialized group of criminal investigators with technical expertise in investigating electronic crimes, including computer intrusions and Internet-based fraud schemes, will continue to combat cybercriminals.

In May 2015, the IRS detected the automated exploitation of one of its portals, the "Get Transcript" service, which involved the suspicious use of 250,000 identities. The subsequent TIGTA investigation confirmed that these were stolen identities being used to secure tax return information so that high-quality fraudulent returns could be filed. TIGTA's OA identified an additional 620,000 identities that were also likely compromised, but were not identified by the IRS in the initial 250,000. A breach of a second high-profile portal, the Data Retrieval Tool

³ The facts in the summarized cases on this page come from court documents of the respective jurisdictions.

utilized in the Federal Student Loan process through the Department of Education, resulted in the identification of approximately 100,000 compromised identities in a two-month period in early 2017. If this exploitation had continued throughout a 12-month period at the same pace, this would have resulted in a total of 600,000 stolen identities and related tax information. Between these two portals alone, there could have been approximately 1.5 million compromised taxpayer identities, which can be sold on the Dark Web and used to open financial accounts and file large volumes of fraudulent tax returns. In the last four years, OI's Cybercrime Investigations Division has secured 23 criminal convictions related to attacks on IRS systems for a total of 837 months' imprisonment and more than \$7.5 million in restitution ordered. Cyberthreats to tax professionals will also have an adverse effect on Federal tax administration.

Description of Performance:

TIGTA's OI has adopted performance measures that identify the percentage of results derived from investigative activities that most accurately align with the strategic goals of the organization and provide the greatest impact on the protection of the integrity of Federal tax administration. For FY 2018, OI's total protection of dollars and financial accomplishments as a result of investigative activities was \$198.7 million (compared to \$38 million in FY 2017). At the end of FY 2018, the Percentage of Closed Investigations Resulting in a Criminal, Administrative, or Law Enforcement Action was 89 percent, which exceeded the full-year target of 79 percent. The Office of Investigations exceeded the FY 2018 performance measure as a result of the hard work of experienced executives, managers, and special agents. With the FY 2020 budget request, TIGTA will maintain its special agents' skills and abilities in order to be able to respond to its mission requirements.

For FY 2020, OI's performance target is 81 percent for Percentage of Closed Investigations Resulting in a Criminal, Administrative, or Law Enforcement Action. The Office of Investigations will continue to provide the IRS with the investigative coverage and information necessary to improve the integrity of IRS operations and mitigate threats against its employees, facilities, and data systems. In addition, OI will maintain highly-trained personnel available to address the significant vulnerabilities of taxpayer and IRS data and effectively combat compromises of IRS computer systems in the expanding digital environment of Federal tax administration, all of which contribute to maintaining the public's confidence in the safe, fair, and effective administration of the Federal tax system. Through its investigative programs, OI will continue to protect the IRS's ability to process approximately 253 million tax returns, collect more than \$3.5 trillion in annual revenue, and issue over \$464 billion dollars in refunds for the Federal Government.⁴

Key Accomplishments and Budget Savings

While the scope, complexity, and magnitude of the Nation's economy and deficit continue to present significant challenges, TIGTA remains one of the best investments in the Federal Government. In FY 2018, through targeted and vigorous oversight efforts that addressed congressional concerns and its own audit and investigative priorities, TIGTA generated overall potential financial accomplishments of over \$10.1 billion.

⁴ IRS, *Management's Discussion & Analysis, Fiscal Year 2018*.

During FY 2018, these potential financial accomplishments included:

- Increased and/or protected revenue in the amount of \$6 billion;
- Cost savings of \$3.7 billion; and
- Significant investigative accomplishments of \$199 million.

The phrase “cost savings” includes questioned costs and funds put to better use.

Questioned costs are:

- Costs that cannot be reimbursed because they represent a violation of law, regulation, or contract;
- Expenditures that are not reasonable or necessary to accomplish the intended purpose; and
- Costs that are appropriate, but for which the vendor cannot provide proof that the cost was incurred.

Funds put to better use are funds that could be used more efficiently or effectively if management took actions to implement the recommendation(s), 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 over \$124 million in court-ordered fines, penalties, and restitution.

Funding for TIGTA allows its oversight efforts to continue, and for each dollar invested over the five-year period covering FY 2014 – FY 2018, TIGTA has produced an average annual return of \$94 (Figure 2).

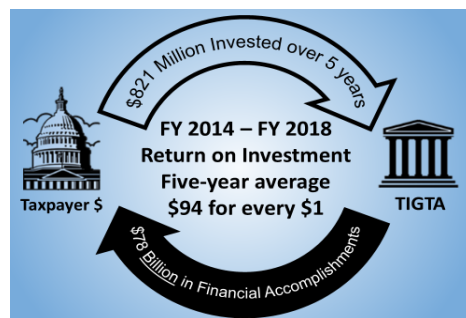


Figure 2: TIGTA’s Return on Investment

Office of Inspections and Evaluations Highlights

The Office of Inspections and Evaluations (I&E) identifies opportunities for improvement in IRS and TIGTA programs by performing inspections and evaluations that report timely, useful, and reliable information to decision-makers and stakeholders.

The Office of Inspections and Evaluations provides a range of specialized services and products, including quick reaction reviews, on-site office inspections, and in-depth evaluations of major functions, activities, or programs. These activities provide TIGTA with additional flexibility, capacity, and capability to improve tax administration. Inspections serve to:

- Provide factual and analytical information;
- Monitor compliance;
- Measure performance;
- Assess the effectiveness 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. In FY 2018, I&E produced seven external reports, which included reviews of:

- Physical Security Controls (2 different locations);
- Controls Over Pocket Commissions;
- Improved Communication With Federal Agencies Could Reduce the Number of Invalid Retirement Benefit Statements;
- Worker Misclassification Initiative With the Department of Labor; and
- Modification to Form 1040 to Increase Earned Income Tax Credit Participation by Eligible Tax Filers.

Section III – Additional Information

A – Summary of Capital Investments

Technology Investments – TIGTA has no major Information Technology (IT) investments; however, non-major investments include:

- **IT Applications and Collaboration** – This investment represents an enterprise view of TIGTA's applications development that includes system design, development, testing, deployment, and maintenance of information applications systems.
- **IT Infrastructure End-User Systems and Support** – This investment is an enterprise view of TIGTA's end-user hardware, peripherals and software, and the Service Desk.
- **IT Infrastructure Mainframe and Servers Services and Support** – This investment represents an enterprise view of TIGTA's servers, including hardware and software operations, licensing, maintenance, back-up, continuity of operations, disaster recovery, virtualization, and data center consolidation.
- **IT Infrastructure Telecommunications** – This investment represents an enterprise view of TIGTA's data networks and telecommunications hardware and software operations, licenses, maintenance, back-up, continuity of operations, and disaster recovery.
- **IT Security Systems and Enterprise Architecture** – This investment represents TIGTA's IT investments responsible for enterprise architecture services.

The Office of Information Technology provides cost-effective and timely IT products and services that permit successful completion of TIGTA's business goals, while at the same time meeting legislative and other executive mandates. The following are TIGTA's FY 2020 prioritized information technology requirements that directly support TIGTA operations:

- **Continuous Diagnostics and Mitigation (CDM)** – The CDM program is intended to provide TIGTA with the capabilities and tools that identify cybersecurity risks on a repeatable and recurrent basis, prioritize these risks based upon their potential impact, and enable cybersecurity and operational personnel the opportunity to timely address the most significant problems. While the Department of Homeland Security carried out the acquisition and initial deployment of the various tools for Phase 1, the daily operation, annual product licensing, and maintenance costs for the tool suite are TIGTA's responsibility and will continue throughout the future years as new CDM Phases are implemented.
- **Network Improvement**
 - **Increased Bandwidth** – The bandwidth for TIGTA's field offices must be upgraded to support the increased demand for improved transmission of data, application

utilization, audio and video conferencing, and more. If this priority is funded, TIGTA plans to begin the work in FY 2019 and continue through FY 2020.

- **Network Segmentation** – The enhancement of a more secure configuration will ensure that network data and personally identifiable information will be more readily protected against cyber-attacks and leaks. The purpose of network segmentation is to increase TIGTA’s overall security and performance posture, which would prevent sideways and undetected movement by would-be intruders. If this priority is funded, TIGTA plans to begin the work in FY 2019 and continue through FY 2020.
- **Research, Analysis, Forensics, and Evidence System (RAFE)** – The initial deployment of the RAFE is used by TIGTA for cyber analysis, tracking, and defense against potential cyberthreats directed at both TIGTA and IRS as well as uncovering evidence of threats to tax administration including seizure of hostile hardware and software and analysis of activities (e.g., scammers). While the initial phases have been implemented, funding for the remaining phases will greatly reduce the chances of an incident that would have a direct, negative impact on TIGTA, and its employees.

Law Enforcement Vehicles –TIGTA acquires its vehicles by lease through the General Services Administration. However, TIGTA will maintain ownership of approximately seven surveillance/communications vehicles. These 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 also are used in support of its Continuity of Operations (COOP) Plan. COOP provides a mechanism for the organization to recover fully operational capability following a critical incident, including the capability to communicate during a local or national emergency.

A summary of capital investment resources, including major IT and non-technology investments, can be viewed and downloaded at:

<http://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

This website also contains a digital copy of this document.