

## Treasury Inspector General for Tax Administration

### *Program Summary by Budget Activity*

Dollars in Thousands

| Budget Activity                          | FY 2021          | FY 2022          | FY 2023          | FY 2022 to FY 2023 |              |
|--|------------------|------------------|------------------|--------------------|--------------|
|  | Operating Plan   | Annualized CR    | Request          | \$ Change          | % Change     |
| Audits                                   | \$64,851         | \$64,851         | \$67,491         | \$2,640            | 4.07%        |
| Investigations                           | \$105,399        | \$105,399        | \$114,918        | \$9,519            | 9.03%        |
| <b>Subtotal, TIGTA</b>                   | <b>\$170,250</b> | <b>\$170,250</b> | <b>\$182,409</b> | <b>\$12,159</b>    | <b>7.14%</b> |
| Offsetting Collections - Reimbursable    | \$502            | \$700            | \$700            | \$0                | 0.00%        |
| Unobligated Balances Brought Forward     | \$3,729          | \$1,469          | \$1,500          | \$31               | 2.11%        |
| <b>Total Program Operating Level</b>     | <b>\$4,231</b>   | <b>\$2,169</b>   | <b>\$2,200</b>   | <b>\$31</b>        | <b>1.43%</b> |
| Direct FTE                               | 739              | 760              | 760              | 0                  | 0.00%        |
| Reimbursable FTE                         | 2                | 2                | 2                | 0                  | 0.00%        |
| <b>Total Full-time Equivalents (FTE)</b> | <b>741</b>       | <b>762</b>       | <b>762</b>       | <b>0</b>           | <b>0.00%</b> |

FY 2021 Other Resources and Full-time Equivalents (FTE) reflect actuals.

Table does not include \$8M in funding provided through the American Rescue Plan Act of 2021 (ARP) (P.L.117-2) which is available for expenditure through FY 2023.

### *Summary*

The Treasury Inspector General for Tax Administration’s (TIGTA) Fiscal Year (FY) 2023 Budget request of \$182,409,000 represents an increase of seven percent above its FY 2022 Annualized Continuing Resolution (CR) budget. These resources will fund critical audit, investigative, and inspection and evaluation services to protect the integrity of the Nation’s system of tax administration.

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 will provide oversight in a number of critical areas including:

- Investigating unauthorized access to, and disclosure of, taxpayer information;
- Identifying opportunities to improve the administration of the Nation’s tax laws, improve tax compliance, and achieve program efficiencies and cost savings;
- Evaluating the Internal Revenue Service’s (IRS) efforts to modernize its operations, in addition to assessing whether user authentication for online services is secure to prevent the unauthorized disclosure of taxpayer information;
- Overseeing IRS efforts to implement tax law changes. Monitoring IRS efforts to timely process taxpayer correspondence and meet customer service demands. Assessing the IRS’s efforts to address tax-related identity theft;
- Protecting the integrity of the IRS by effectively investigating individuals and groups who victimize senior citizens, other vulnerable Americans and the international IRS impersonation scam;
- Conducting advanced analytics and innovative approaches to help prevent and detect the flow of dollars fraudulently obtained by criminals;

- Enhancing taxpayer confidence in electronic Federal tax systems through investigation and prosecution of cyber criminals engaged in attacks against, and manipulation of, IRS taxpayer service portals as well as the IRS network;
- Improving the integrity of IRS operations by detecting and deterring waste, fraud, abuse, and misconduct, including the unauthorized disclosure of confidential taxpayer information by IRS employees; and
- Conducting comprehensive audits, inspections and evaluations that provide recommendations for achieving monetary benefits, addressing erroneous and improper payments, and enhancing the service the IRS provides to taxpayers.

TIGTA conducts audits that advise the public, 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 administrative and criminal investigations ensure the integrity of IRS employees, protect the IRS and its employees, and help the IRS protect and secure taxpayer data. TIGTA’s Office of Inspections and Evaluations provides responsive, timely, and cost-effective inspections and evaluations of challenging areas in IRS programs. TIGTA’s oversight is essential to the efficiency and fairness of the IRS’s tax administration system.

TIGTA’s primary functions of audit, investigations, and inspection and evaluations align with the following Department of the Treasury FY 2022 – 2026 Strategic Plan goals:

- Goal 1: Promote Equitable Economic Growth and Recovery;
- Goal 2: Enhance National Security;
- Goal 4: Combat Climate Change; and
- Goal 5: Modernize Treasury Operations.

### ***Budget Highlights***

Dollars in Thousands

| Treasury Inspector General for Tax Administration | FTE        | Amount           |
|---|------------|------------------|
| <b>FY 2022 Annualized CR</b>                      | <b>760</b> | <b>\$170,250</b> |
| <b>Changes to Base:</b>                           |            |                  |
| Maintaining Current Levels (MCLs):                | 0          | \$6,619          |
| Pay Annualization (2.7% average pay raise)        |            | \$975            |
| Pay Raise (4.6% average pay raise)                |            | \$5,018          |
| Non-Pay   |            | \$626            |
| Other Adjustments:                                | 0          | \$5,540          |
| Adjustments to Meet Current Operating Levels      | 0          | \$5,540          |
| Subtotal Changes to Base                          | 0          | \$12,159         |
| <b>FY 2023 Current Services</b>                   | <b>760</b> | <b>\$182,409</b> |
| <b>FY 2023 President's Budget Request</b>         | <b>760</b> | <b>\$182,409</b> |

***Budget Adjustments***

**Maintaining Current Levels.....+\$6,619,000 / +0 FTE**

Pay Annualization (2.7%) +\$975,000 / +0 FTE

Funds are requested for annualization of the January 2022 2.7% average pay raise.

Pay Raise (4.6% in FY 2023) +\$5,018,000 / +0 FTE

Funds are requested for a 4.6% average pay raise in January 2023.

Non-Pay +\$626,000 / +0 FTE

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

**Other Adjustments.....+\$5,540,000 / +0 FTE**

Adjustments to Meet Current Operating Levels +\$5,540,000 / +0 FTE

Treasury requests adjustments to realize current services operating levels. Current Operating Levels include the annualization of the January 2021 1.0% average pay raise, 2.7% average pay raise in January 2022, FY 2022 FERS contribution increases and FY 2022 non-labor expenses self-funded from FY 2021 enacted levels. Funds are requested for costs realized in FY 2022 under the enacted appropriation, but not included under an annualized CR.

***Legislative Proposals***

TIGTA has no legislative proposals.

***Performance Highlights***

| Budget Activity | Performance Measure  | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|-----------------|--|---------|---------|---------|---------|---------|
|                 |  | Actual  | Actual  | Actual  | Target  | Target  |
| Audit           | Percentage of Audit Product Delivered When Promised to Stakeholders                                    | 84      | 79      | 93      | 70      | 70      |
| Audit           | Percentage of New Audit Reports with Recommendations to Improve Tax Administration                     | N/A     | N/A     | B       | 70      | 70      |
| Investigations  | Percentage of Closed Investigations Resulting in a Criminal, Administrative, or Law Enforcement Action | 91      | 92      | 90      | 85      | 79      |

Key: N/A – Not Applicable; B – Baseline

***Description of Performance***

- For FY 2021, the Office of Audit (OA) issued 81 audit reports and other products identifying approximately \$16.0 billion in potential financial benefits.
- For FY 2021, the actual Percentage of Audit Products Delivered When Promised to Stakeholders was 93 percent. TIGTA exceeded the full-year target by 23 percentage points.
- For FY 2023, OA’s performance targets are 70 percent of Audit Products Delivered When Promised to Stakeholders and 70 percent of New Audit Reports with Recommendations to Improve Tax Administration.
- During FY 2021, the annual inventory of investigative work increased by 14.8 percent. TIGTA initiated 26 investigations to detect systemic weaknesses or potential IRS program

vulnerabilities. TIGTA processed 7,425 complaints, opened 2,700 investigations, and closed 2,717 investigations in FY 2021. During this period, TIGTA referred 766 cases of employee misconduct to the IRS for action and 285 cases, of various types of investigations, were accepted for criminal prosecution.

- For FY 2021, the Percentage of Closed Investigations Resulting in a Criminal, Administrative, or Law Enforcement Action was 90 percent, which exceeded the full-year target of 85 percent by five percentage points.
- Starting in FY 2022, TIGTA's OI will transition to a performance model that places greater emphasis on complex cases. These cases are often lengthier and require more time-intensive engagement from OI staff. This change in prioritization may result in a reduced actual for the Percentage of Closed Investigations Resulting in a Criminal, Administrative, or Law Enforcement Action performance measure. Therefore, the FY 2023 target for this measure is reduced to 79 percent. The target may be revised at a later date as the results of the revised performance model are evaluated.