

The Treasury Inspector General for Tax Administration

Program Summary by Budget Activity

Dollars in thousands

Appropriation	FY 2011	FY 2012	FY 2013	FY 2012 TO FY 2013	
	Enacted	Enacted	Request	\$ Change	% Change
Audit	\$57,306	\$57,306	\$59,710	\$2,404	4.2%
Investigations	\$94,390	\$94,390	\$94,124	(\$266)	(0.3%)
Subtotal, Inspector General for Tax Administration	\$151,696	\$151,696	\$153,834	\$2,138	1.4%
Offsetting Collections - Reimbursables	\$1,300	\$900	\$900	\$0	0%
Total Program Operating Level	\$152,996	\$152,596	\$154,734	\$2,138	1.4%
Direct FTE	835	835	864	29	3.5%
Reimbursable FTE	2	2	2	0	0%
Total FTE	837	837	866	29	3.5%

Summary

The FY 2013 President's Budget request for 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:

- Adapting to the IRS's continuously evolving operations and mitigating intensified risks associated with modernization and security, procurement fraud, addressing the Tax Gap, and human capital challenges facing the IRS in domestic and international operations in order to increase voluntary tax compliance;
- 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 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 2013 are \$154,734,000, including \$153,834,000 from direct appropriation and \$900,000 from offsetting collections and reimbursable programs.

TIGTA FY 2013 Budget Highlights

Dollars in thousands

Inspector General for Tax Administration	FTE	Amount
FY 2012 Enacted	835	\$145,561
Changes to Base:		
Maintaining Current Levels (MCLs):		
Maintaining Current Levels	-	\$1,522
Efficiency Savings:		
Program Reductions & Efficiencies	-	(\$2,894)
Reducing RRA 98 Reporting Requirements	-	(\$840)
Telework & Right-sizing	-	(\$94)
Subtotal FY 2013 Changes to Base	-	(\$2,306)
Total FY 2013 Base	835	\$149,390
Program Changes:		
Program Decreases:		
Council of the Inspectors General on Integrity & Efficiency	-	(\$56)
Council of the Inspectors General on Integrity & Efficiency	-	(\$56)
Program Increases:		
Oversight of IRS	29	\$4,500
Implementation of Affordable Care Act	29	\$4,500
Total FY 2013 Request	864	\$153,834

FY 2013 Budget Adjustments

Maintaining Current Levels (MCLs)

Maintaining Current Levels +\$1,522,000 / +0 FTE

Funds are requested for inflation adjustments (1.7 percent) in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employees Retirement System participation. Funds are also requested for the proposed 2013 pay raise (0.5 percent).

Efficiency Savings

Program Reductions and Efficiencies - \$2,894,000 / +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. TIGTA examines 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. TIGTA is also lowering its administrative costs by 20 percent compared to FY 2010 levels, as outlined in Executive Order 13589, *Promoting Efficient Spending*.

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.

Telework & Right-sizing -\$94,000 / +0 FTE

TIGTA has closely scrutinized its budget for cost-saving opportunities and is aggressively implementing telework and office right-sizing measures to reduce its footprint.

Program Decrease

Council of the Inspectors General on Integrity & Efficiency -\$56,000 / +0 FTE

Decrease in contribution for Council of the Inspectors General on Integrity & Efficiency (CIGIE) to support coordinated government-wide activities that identify and review areas of weakness and vulnerability in federal programs and operations with respect to fraud, waste, and abuse.

Program Increase

Oversight of IRS Implementation of Affordable Care Act +\$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.

Explanation of Budget Activities

Audit (\$59,710,000 from direct appropriations and \$500,000 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. In FY 2011, audit reports produced potential financial benefits of approximately \$16.9

billion, and potentially impacted approximately 22.7 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. This plan strikes a balance between statutory audit coverage and high-risk audit work. The statutory coverage includes audits mandated by the *IRS Restructuring and Reform Act of 1998*, as well as reviews that address computer security and financial management. The high-risk workload includes issues pertaining to the IRS's modernization efforts, its major management challenges, its progress in achieving its strategic goals, as well as Congressional and other stakeholder requests for audit coverage.

Investigations (\$94,124,000 from direct appropriations and \$400,000 from reimbursable resources)

While most Offices of Inspectors General focus primarily on fraud, waste, and abuse, TIGTA's mission is more extensive. 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 violations and administrative misconduct 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 hinder the IRS's ability to collect revenue for the federal government. Fifty percent of TIGTA's current

investigations involve alleged employee misconduct. In addition to unauthorized access (UNAX) investigations, employee misconduct investigations include allegations of extortion, theft, false statements, and financial fraud. TIGTA also administers a proactive integrity program to help detect IRS employees who might be committing fraud and other misconduct.

Employee and Infrastructure Security: Congressional concern regarding the magnitude of uncollected revenue has prompted the IRS to intensify enforcement activities. Heightened enforcement is likely to cause a rise in external threats to IRS employees and infrastructure. Both TIGTA's proactive and reactive investigations are critical to mitigating future risks. TIGTA maintains IRS employee and infrastructure security by conducting investigations into incidents that threaten IRS employees, facilities, and infrastructure. TIGTA's highest priority complaints involve threats and assaults against IRS employees. 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 a Criminal Intelligence Program that develops and facilitates pertinent information regarding potential threats to IRS employees and operations. This program includes participation in the Federal Bureau of Investigation sponsored Joint Terrorism Task Forces nationwide. In addition, TIGTA has a System Intrusion and Network Attack Response Team to defend against hackers who attempt to compromise the data integrity of taxpayer information stored in IRS computer systems.

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, impersonation of IRS employees, interference with the administration of internal revenue laws, bribery, misuse of Treasury names, symbols, etc.; contract fraud; and tax practitioner fraud relating to thefts of taxpayer remittances and refunds.

Legislative Proposals

TIGTA proposes eliminating certain reviews conducted to comply with reporting requirements in RRA 98. These statutory reviews yield little in the way of performance measures and are of relatively low value. TIGTA would prefer to redirect resources applied to these reviews to conducting high-risk audits. TIGTA proposes legislative changes, which are presented as part of the Administration's overall tax agenda. This would eliminate 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 TIGTA's Semiannual Reports. This pertains to Internal Revenue Code §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's compliance with Internal Revenue Code §§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 should be revised to a biennial reporting requirement.

TIGTA Performance by Budget Activity

Budget Activity	Performance Measure	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Target	FY 2013 Target
Audit	Percentage of Audit Products Delivered when Promised to Stakeholders	81	76	68	65	70
Audit	Percentage of Recommendations Made that Have Been Implemented	91	95	93	83	85
Investigations	Percentage of Results from Investigative Activities	83	86	82	79	80

Key: DISC - Discontinued and B – Baseline

Description of Performance

- For FY 2011, TIGTA issued 139 audit, inspection, and evaluation reports, identifying approximately \$16.9 billion in potential financial benefits (i.e., costs savings, increased or protected revenue, taxpayer rights and entitlements, and inefficient use of resources).
- OA has revised its FY 2013 targets upwards as a result of ongoing project management training aimed at timely delivery of audit products and services as well as project management principles.
- For FY 2011, OI closed 82 percent of the 3,799 final closed investigations which generated results, including 1,499 cases of employee misconduct referred to the IRS for action and 237 cases accepted for prosecution.
- For FY 2012 and FY 2013, OI will continue to use the performance model to measure its effectiveness, guide activities, and demonstrate its accomplishments to stakeholder.