

## Overview

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### Mission Statement

To provide integrated audit, investigative, and inspection and evaluation services that promote economy, efficiency, and integrity in the administration of the internal revenue laws.

### Program Summary by Budget Activity

Dollars in Thousands

Appropriation	FY 2010	FY 2011	FY 2012	FY 2010 to FY 2012	
	Enacted	Annualized CR Level	Request	\$ Change	% Change
Audit	\$57,421	\$57,421	\$62,357	\$4,936	8.6%
Investigations	\$94,579	\$94,579	\$95,474	\$895	0.9%
<b>Total Appropriated Resources</b>	<b>\$152,000</b>	<b>\$152,000</b>	<b>\$157,831</b>	<b>\$5,831</b>	<b>3.8%</b>
<b>Total FTE</b>	<b>835</b>	<b>835</b>	<b>864</b>	<b>29</b>	<b>3.5%</b>

### FY 2012 Priorities

- Adapting to the Internal Revenue Service's (IRS) continuously evolving operations and mitigating intensified risks associated with modernization, security, addressing the Tax Gap, and human capital challenges facing the IRS in domestic and international operations in order to increase voluntary tax compliance;
- Responding to domestic and international threats and attacks against IRS employees, property, and sensitive information;
- Improving the integrity of IRS operations by detecting and deterring fraud, waste, abuse, and misconduct by IRS employees;
- Conducting comprehensive audits, inspections, and evaluations that include recommendations for monetary benefits 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 the tax provisions of the *American Recovery and Reinvestment Act of 2009 (Recovery Act)*, the *Patient Protection and Affordable Care Act*, and the *Health Care and Education Reconciliation Act of 2010*. These two pieces of legislation are referred to as the Affordable Care Act (ACA).

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## **Section 1 – Purpose**

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### **1A – Description of Bureau Vision and Priorities**

The Treasury Inspector General for Tax Administration (TIGTA) was created by the Congress as a part of the *Internal Revenue Service Restructuring and Reform Act of 1998* (RRA 98).

TIGTA's work is devoted to all aspects of activity related to the federal tax system as administered by the Internal Revenue Service (IRS). As one of 69 federal offices of Inspector General, TIGTA reviews IRS programs, makes recommendations to improve their effectiveness and efficiency, and investigates allegations of fraud, waste, and abuse. TIGTA conducts audits that advise the American people, the Congress, the Secretary of the Treasury, and IRS's management of high-risk issues, problems, and deficiencies related to the administration of IRS programs and operations. TIGTA's audit recommendations aim to improve IRS systems and operations, while maintaining fair and equitable treatment of taxpayers. TIGTA's investigations ensure the integrity of IRS employees, contractors, and 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 federal tax administration system. TIGTA ensures that the American taxpayer can have confidence that the IRS collects over \$2 trillion in tax revenue in an effective and efficient manner without fraud and abuse.

TIGTA's FY 2012 budget request of \$157,831,000 represents an increase of 3.8 percent above the FY 2010 budget. These resources will finance critical audit, investigative, and inspection and evaluation services to protect the integrity of tax administration on behalf of the nation's taxpayers. TIGTA's audit, investigative, and inspection and evaluation priorities include:

- Adapting to the Internal Revenue Service's (IRS) continuously evolving operations and mitigating intensified risks associated with modernization and security, addressing the Tax Gap, and human capital challenges facing the IRS in domestic and international operations in order to increase voluntary tax compliance;
- Responding to domestic and foreign threats and attacks against IRS employees, property, 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 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 *American Recovery and Reinvestment Act of 2009* (Recovery Act), the *Patient Protection and Affordable Care Act*, and the *Health Care and Education Reconciliation Act of 2010* (ACA).

Additionally, TIGTA's strategic goals contribute to the Department's priority performance goal to significantly increase voluntary tax compliance.

TIGTA's commitment to valuing its people was recognized in the Partnership for Public Service's 2010 Best Places to Work rankings. TIGTA placed 18 out of 224 in the overall index score measuring the performance of agency subcomponents related to employee satisfaction and commitment. This ranking is based on the Office of Personnel Management's (OPM) biennial Federal Human Capital Survey, which federal agencies use as benchmarks to measure their performance. The 2010 survey was renamed the "Federal Employee Viewpoint Survey (EVS)." TIGTA's response rate of 79 percent was second place among the Treasury bureaus and higher than the government average. Survey results provided valuable insight into the challenges agency leaders face in ensuring that TIGTA has an effective civilian workforce and how well they are responding. The survey highlights stated that TIGTA employees continue to be happy with their jobs and feel their work is important. The vast majority believe TIGTA is accomplishing its mission and would recommend it as a good place to work.

In FY 2012, TIGTA will face the challenge of adapting its oversight activities to address the complex and high-risk issues associated with IRS implementation of ACA legislation. TIGTA requests \$5,600,000 to provide oversight of the IRS implementation of ACA. This effort will be in addition to TIGTA's continuing work including assessing IRS tax compliance initiatives, evaluating the IRS's efforts to administer tax provisions in the Recovery Act, detecting and investigating fraud and electronic crime, reviewing procurement activities, safeguarding taxpayer privacy, evaluating IRS Human Capital activities, and addressing requests for IRS program reviews from the Congress and other IRS stakeholders. Each of these issues presents significant challenges for both TIGTA and the IRS.

In accordance with the requirements of Section 6(f)(1) of the *Inspector General Act of 1978* (as amended), the Treasury Inspector General for Tax Administration submits the following information related to its requested budget for FY 2012:

- The aggregate budget request for the operations of TIGTA is \$157,831,000;
- The portion of the request needed for TIGTA training is \$2,692,000; and
- The portion of the request needed to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$380,000.

The amount requested for training satisfies all TIGTA training needs for fiscal year 2012.

## **1B – Program History and Future Outlook**

Previously a longstanding oversight office within the IRS, TIGTA was established as an independent office in January 1999 in accordance with RRA 98. TIGTA is mandated to provide independent audit, investigative, and inspection and evaluation services necessary to improve the quality and credibility of IRS operations, including oversight of the IRS Chief Counsel and the IRS Oversight Board. TIGTA's audits, investigations, and inspections and evaluations are integral to the equitable treatment of taxpayers by the IRS, and in ensuring that collection of federal revenue is completed in a fair, efficient and effective manner that is secure from internal and external threats. Oversight activities are explicitly designed to identify high-risk systemic inefficiencies in IRS operations and to investigate exploited weaknesses in tax administration.

In FY 2008, TIGTA's Office of I&E began its first year of operation as a separate office after a successful pilot project during FY 2006 and FY 2007. I&E complements the work of the audit and investigative functions and provides TIGTA with additional flexibilities and capabilities to meet its mission and address increasing requests for IRS program reviews from the Congress and other IRS stakeholders. The scope of the group's efforts ranges from answering Congressional concerns to evaluating IRS's ability to administer the tax laws. I&E will continue to provide TIGTA the ability to conduct in-depth evaluations of major IRS functions, activities, and programs. I&E has positioned TIGTA well to respond to external stakeholders in a rapid response mode. As the group continues its work, I&E expects its influence in overseeing tax administration to grow and its service of informing interested parties to expand.

The passage of the Recovery Act provided funding for the additional workload that has arisen from overseeing IRS efforts to implement a variety of economic stimulus measures. A key component of the Recovery Act is the implementation of 56 tax provisions by the IRS. TIGTA's program plan includes detailed information on all ongoing and planned activities. Recovery work is allowing TIGTA to revise coordination procedures with the IRS to make interim reports more readily available to the public on TIGTA's website and Recovery.gov; successful Recovery coordination changes will have a positive long-term impact on traditional audit and inspection timelines. During FY 2010, TIGTA issued 14 Recovery Act reports. Another 17 reviews are ongoing.

In 2010, the President signed into law significant changes to the nation's health care system under the ACA. Changes to tax administration that IRS will be responsible for implementing include:

- Delivering tax credits to businesses and individuals to assist in covering the cost of health coverage;
- Administering the mandate for individuals to purchase health coverage (only for those who are deemed able to afford such coverage) or be subject to a penalty on their individual federal tax returns; and
- Administering multiple tax provisions designed to raise revenues to offset the cost of ACA.

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 allay concerns about IRS overreach, assure citizens about the integrity of the program, and give lawmakers the assurance that the program functions properly. TIGTA has often paved the way for new initiatives that are administered through the tax code. The most recent example was TIGTA's audit recommendations on the First-Time Homebuyers Tax Credit. All recommendations were quickly embraced by the IRS, and taxpayers were quickly assured that this was not a loophole for tax cheats. The roll-out of the Earned Income Tax Credit (EITC) was another initiative that touched millions of tax payers. Similarly, auditors at TIGTA's predecessor, IRS Inspections, were able to identify problems before they had an impact on the public's perception of the program.

FY 2012 stands to be a crucial year in the IRS's efforts to implement new systems and programs to administer these provisions. As IRS leadership lays the groundwork for administering these initiatives, TIGTA executives will monitor these plans and allocate staff and resources that best align with IRS decisions. TIGTA has already identified a critical need to conduct 16 separate ACA-related audits that will require 5,125 staff days, or 23 auditor full time equivalents (FTE), during FY 2012 alone.

ACA will engage almost every component of TIGTA. Within the Office of Audit (OA), the **Returns Processing and Account Services** group will assess the integrity of new IRS forms and make sure that IRS systems are capable of directing the many calls from taxpayers. One example is a planned audit of the administration of section 9002 of the ACA that requires inclusion of employer sponsored health coverage on the Wage and Tax Statement (IRS form W-2).

The **Security and Information Technology Services** division will expand its audits of IRS computer systems to ensure that health care information is safeguarded and secure. Sharing sensitive health care information will be new for most taxpayers and TIGTA's review of the implementation of section 1411 of the ACA legislation will assure that information shared between the U.S. Department of Health and Human Services and TIGTA is secure.

Another example is the **Compliance and Enforcement Operations** group, which will expand audit coverage to include oversight of section 10907 of the ACA that creates a new 10 percent excise tax on indoor tanning services. Industry experts estimate that as many as 30 million Americans use indoor tanning services. This is just one of the 16 audits already identified that will be required to provide proper oversight of IRS's expanded mission.

The Office of Investigations (OI) is similarly impacted by the demands of ACA. As the IRS's efforts to implement new systems and programs to administer the provisions of the ACA increase, so will TIGTA's efforts to protect the IRS from external attempts to corrupt or impede the administration of internal revenue laws. To effectively carry out this important oversight work, TIGTA must be better positioned to utilize law enforcement and intelligence resources to proactively detect and deter efforts impacting the IRS's implementation of the ACA. TIGTA estimates that five series-1811 investigators will be required to discharge its increased duties associated with ACA.

The five investigators will review and analyze intelligence information relating to potential violent acts against IRS employees and facilities and develop proactive leads to investigate and mitigate potential threats. The investigators will also respond to violent acts committed against IRS employees and facilities, initiate investigations into those incidents, and work towards the arrest, conviction and sentencing of the perpetrators. To further enhance their work, the investigators will utilize OI's technical expertise, including TIGTA's Forensic Science Laboratory to help gather intelligence and investigate violent acts.

The Office of Inspections and Evaluations (I&E) will also provide oversight of the IRS's administration of ACA and provide TIGTA with additional flexibility, capacity, and capability to produce value-added products and services to improve tax administration. Inspections will

usually be more limited in scope and will be completed in a more compressed period than a traditional audit. Evaluations related to ACA will result in recommendations to streamline operations, enhance data quality, and minimize inefficient and ineffective programs. Its work is not a substitute for audits and investigations; in fact, its findings may result in subsequent audits and/or investigations. I&E is requesting only one FTE at this time. Inspections and Evaluations, by their nature, have a short time horizon and will respond to specific ACA tax administration issues.

TIGTA's work requires close coordination among its Audit, Investigations, Inspections and Evaluations functions. Each program office brings unique skills and experience, but the bureau's overall success depends greatly upon these offices' close collaboration. TIGTA has years of experience in overseeing the roll-out of broad changes to tax administration. The success of the new ACA program will depend on the government's ability to assure taxpayers that the new changes are properly administered.

TIGTA continues to provide comprehensive coverage and oversight of all aspects of the IRS's operations. In FY 2010, TIGTA's overall accomplishments included, \$8.61 billion in potential increased and/or protected revenue and \$2.82 billion in potential cost savings.

***Ensuring Taxpayer Privacy and Security:*** Millions of taxpayers entrust the IRS with sensitive financial and personal data that are stored in and processed on IRS computer systems. The risk that taxpayers' identities could be stolen by exploiting security weaknesses in the IRS's information technology systems continues to increase, as does the risk that IRS computer operations could be disrupted. Both internal factors (such as the increased connectivity of computer systems and greater use of portable laptop computers) and external factors (such as the volatile threat environment resulting from increased terrorist and hacker activity) require strong security controls. In FY 2010, OA issued reports that included addressing the protection of federal tax information at state government agencies and security controls over the Automated Collection System.

To prevent the compromise of sensitive taxpayer information, TIGTA proactively identifies IRS employees who inappropriately access and/or disclose such private information. These violations, known as unauthorized access (UNAX), are often the initial phase of IRS employee misconduct and frequently result in the uncovering of other criminal violations, including fraud and identity theft. IRS employees who are found to have committed UNAX violations may be subject to fines, prison terms, and loss of their jobs. Since enactment of the *Taxpayer Browsing Protection Act* in August 1998, TIGTA investigations have resulted in more than 6,908 adverse personnel actions taken by the IRS and 367 criminal prosecutions for UNAX violations through FY 2010.

The importance of efforts to detect unauthorized access is often underestimated. Too often, UNAX is seen as browsing by bored employees. However, TIGTA's investigations have revealed a far more disturbing trend where, in a significant number of cases, such unauthorized access was only the first stage in far more serious crimes such as falsification of records, fraud, embezzlement, and identity theft.

In FY 2009, TIGTA established a UNAX modernization group to address all computer applications the IRS currently uses that contain sensitive information. This group's work to date includes monitoring the IRS's efforts to develop and implement an enterprise-wide audit trail solution, providing guidance to the IRS on establishing retention policies so that forensic investigations can be conducted, and ensuring the IRS expands its automated capability to proactively detect unauthorized accesses on all computer systems. During FY 2010, TIGTA investigators completed 1,796 employee integrity investigations, of which 405 involved UNAX allegations. This resulted in 42 criminal prosecutions and 737 administrative disciplinary actions against IRS employees.

***Tax Compliance:*** Tax compliance initiatives include administering tax regulations, collecting the correct amount of tax from businesses and individuals, and overseeing tax-exempt and government entities for compliance. Increasing voluntary compliance and reducing the \$345 billion Tax Gap (the IRS defines the Tax Gap as the difference between the estimated amount taxpayers owe and the amount they voluntarily and timely paid for a tax year) are currently the focus of many IRS initiatives. In FY 2010, OA issued reports addressing collection alternatives for economically distressed taxpayers, lien determinations, and sole proprietor correspondence audits.

TIGTA continues its outreach efforts to IRS employees and tax practitioners. By doing so, TIGTA develops relationships with these groups to assist in identifying crimes against the IRS and taxpayers. In FY 2010, TIGTA provided 1,427 presentations to more than 52,000 IRS employees and educated tax professionals by providing 118 awareness presentations to 8,068 tax practitioners and preparers.

***Leveraging Data to Improve Program Effectiveness and Reduce Costs:*** While the IRS has made some progress in using its data to improve program effectiveness and reduce costs, this area continues to be a major challenge. The IRS lacks a comprehensive, integrated system that provides accurate, relevant, and timely financial and operating data describing performance measures, productivity, and associated costs of IRS programs. In FY 2010, OA issued a report addressing the IRS's methodology for calculating the cost of Unemployment Trust Fund administrative expenses.

***Implementing Tax Law Changes:*** Each filing season tests the ability of the IRS to implement tax law changes made by the Congress. The correct implementation of tax law changes is a continuing challenge because the IRS must identify the tax law changes; revise the various tax forms, instructions, and publications; and reprogram computer systems used to process returns. In FY 2010, TIGTA issued a report on how the IRS can enhance taxpayer awareness of the benefits of the qualified joint-venture filing option.

***Department-wide Priority – Electronic Stewardship and Data Centers:*** Federal agencies have been directed to improve their energy efficiency and reduce greenhouse gas emissions. In FY 2010, OA issued a report regarding the improvement of data center energy efficiency that could save the IRS millions of dollars in energy costs.



***Advising the Congress:*** During FY 2010, TIGTA provided one Congressional testimony, 18 briefings, one Statement for the Record, and 39 official responses to the Congress regarding audit, investigative, and inspection and evaluation activities. Through direct communication, TIGTA aims to address the interest of Congressional committees on critical issues involving IRS operations.

***Going Green Initiatives:*** TIGTA has identified several ways to make its operations more environmentally friendly. TIGTA's audits, inspections, and evaluations also have the potential to reduce the environmental impact of IRS's operations. During FY 2010, OI's Complaints Management Team began to process all complaints electronically, saving paper, ink, and storage costs. TIGTA has also conducted audits of IRS's operations to ensure that both data centers and desktop computer equipment are energy efficient. Given the size of IRS's workforce, any incremental improvement can make a significant difference.

***Fraud and Electronic Crime:*** The sensitivity of the data the IRS collects makes it an attractive target for employees, hackers, and others who could use the information for fraud and identity theft. TIGTA's audit, investigative, inspection and evaluation work provides coverage of this growing national problem, providing proactive prevention and detection efforts that are required in this highly vulnerable and ever-evolving area. As described in *Presidential Decision Directive NSC-63*, IRS operations, that fund the federal government are part of the nation's critical infrastructure. Degradation of the public's trust in the tax system would lead to a decline in voluntary compliance and represents a risk to national security.

***Audit Outcomes:*** TIGTA strives to protect the integrity of America's tax system. TIGTA's audits focus on the economy, efficiency, and effectiveness of tax administration. TIGTA provides recommendations to improve IRS systems and operations while ensuring fair and equitable treatment of taxpayers. During FY 2010, TIGTA issued 129 reports identifying approximately \$11.46 billion in potential financial benefits. These reports also impacted approximately 2.03 million taxpayer accounts in areas such as taxpayer burden, taxpayer rights and entitlements, taxpayer privacy and security, and increased revenue/revenue protected. These audits could return \$74 for each \$1 invested in FY 2010.

***Investigative Outcomes:*** OI investigates threats to America's tax system, which could impede collection of tax revenue and reduce public confidence. In FY 2010, 86 percent of TIGTA's closed investigations generated results, including 1,635 cases of employee misconduct referred to the IRS for administrative action and 235 cases accepted for prosecution. Even though the IRS is committed to "stopping UNAX in its tracks," unauthorized access to confidential tax information remains a significant problem. During the same period, TIGTA closed 611 UNAX cases, resulting in 546 adverse personnel actions against IRS employees. Altogether, the 118 employees under investigation for UNAX and other violations resigned during the investigation or before any personnel action could be taken.

***Inspections and Evaluations Outcomes:*** I&E took the lead in programming TIGTA's Recovery Act activities. Additionally, I&E has reported on several pertinent issues including IRS's preparedness to respond to a pandemic, as detailed in the IRS Pandemic Influenza Preparedness

Plan – Phase I. Planned evaluations will result in recommendations to streamline operations, enhance data quality, and improve the efficiency and effectiveness of IRS programs.

## Section 2 – Budget Adjustments and Appropriation Language

### 2.1 – Budget Adjustments Table

Dollars in Thousands

<b>Inspector General for Tax Administration</b>	<b>FTE</b>	<b>Amount</b>
<b>FY 2010 Enacted</b>	<b>835</b>	<b>\$152,000</b>
<b>FY 2011 Annualized CR Level</b>	<b>835</b>	<b>\$152,000</b>
Changes to Base:		
Adjustment to Reach Policy Level:	-	\$2,266
Adjustment to Reach FY 2011 President's Policy	-	\$2,266
Maintaining Current Levels (MCLs):	-	\$1,391
Maintaining Current Levels (MCLs)	-	\$1,391
Efficiencies, Savings & Base Reductions:	-	(\$3,474)
Program Reductions and Efficiencies	-	(\$3,474)
Subtotal FY 2012 Changes to Base	-	\$183
<b>Total FY 2012 Base</b>	<b>835</b>	<b>\$152,183</b>
Program Changes:		
Program Increases:	29	\$5,648
Oversight of IRS Implementation of the Affordable Care Act	29	\$5,600
CIGIE Payment	-	\$48
Subtotal FY 2012 Program Changes	29	\$5,648
<b>Total FY 2012 Request</b>	<b>864</b>	<b>\$157,831</b>

### 2A – Budget Increases and Decreases Description

**Adjustment to Reach Policy Level** ..... +\$2,266,000 / +0 FTE  
Adjustment to Reach FY 2011 President's Policy +\$2,266,000 / +0 FTE

Adjustment from the FY 2011 Annualized Continuing Resolution (CR) Rate to reach the FY 2011 President's Policy Level. The President's Policy Level is equal to the FY 2011 President's Budget as adjusted for the proposed pay freeze.

**Maintaining Current Levels (MCLs)** ..... +\$1,391,000 / +0 FTE  
Maintaining Current Levels (MCLs) +\$1,391,000 / +0 FTE

Funds are requested for inflation adjustments in non-labor expenses such as GSA rent adjustments, postage, supplies and equipment and health benefits and the increase in Federal Employee Retirement System participation. No inflation adjustment is requested for pay in FY 2012.

**Efficiencies, Savings & Base Reductions** ..... -\$3,474,000 / +0 FTE  
Program Reductions and Efficiencies -\$3,474,000 / +0 FTE

TIGTA continuously seeks to reduce programs that are non-critical and find efficiencies in its operations. Reaching a savings target of \$3,474,000 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 would have the smallest impact on mission. 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. Further savings will be realized in data center and certification and accreditation consolidation.

**Program Increases ..... +\$5,648,000 / +29 FTE**  
Oversight of IRS Implementation of the Affordable Care Act +\$5,600,000 / +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, assure citizens about the integrity of the program, and give lawmakers the assurance that the program functions properly. TIGTA has often paved the way for new initiatives that are administered through the tax code. Funding will support 23 auditors, five investigators, and one inspections and evaluations specialist. TIGTA's work requires close coordination among its Audit, Investigations, 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.

CIGIE Payment +\$48,000 / +0 FTE

Funds for Council of Inspectors General on Integrity and Efficiency (CIGIE) will specifically 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. This increase raises TIGTA's CIGIE contribution to \$380,000.

## 2.2 – Operating Levels Table

Dollars in Thousands

Inspector General for Tax Administration	FY 2010 Enacted	FY 2011 Annualized CR Level	Proposed Reprogram mings	FY 2011 Proposed Operating Level	FY 2012 Request
<b>FTE</b>	<b>835</b>	<b>835</b>	<b>-</b>	<b>835</b>	<b>864</b>
<b>Object Classification</b>					
11.1 - Full-time permanent	\$82,553	\$82,553	\$0	\$82,553	\$85,290
11.3 - Other than full-time permanent	\$593	\$593	\$0	\$593	\$605
11.5 - Other personnel compensation	\$9,656	\$9,656	\$0	\$9,656	\$9,781
12 - Personnel benefits	\$27,796	\$27,796	\$0	\$27,796	\$28,761
21 - Travel and transportation of persons	\$4,823	\$4,823	\$0	\$4,823	\$4,964
22 - Transportation of things	\$24	\$24	\$0	\$24	\$36
23.1 - Rental payments to GSA	\$9,143	\$9,143	\$0	\$9,143	\$9,936
23.2 - Rental payments to others	\$288	\$288	\$0	\$288	\$292
23.3 - Communication, utilities, and misc charges	\$2,570	\$2,570	\$0	\$2,570	\$2,614
24 - Printing and reproduction	\$8	\$8	\$0	\$8	\$8
25.1 - Advisory and assistance services	\$1,135	\$1,135	\$0	\$1,135	\$1,141
25.2 - Other services	\$921	\$921	\$0	\$921	\$970
25.3 - Other purchases of goods and services from Govt. accounts	\$6,710	\$6,710	\$0	\$6,710	\$7,029
25.4 - Operation and maintenance of facilities	\$407	\$407	\$0	\$407	\$413
25.7 - Operation and maintenance of equip	\$1,232	\$1,232	\$0	\$1,232	\$1,260
26 - Supplies and materials	\$1,206	\$1,206	\$0	\$1,206	\$1,233
31 - Equipment	\$2,732	\$2,732	\$0	\$2,732	\$3,293
42 - Insurance claims and indemnities	\$150	\$150	\$0	\$150	\$152
91.0 - Confidential Expenditures	\$53	\$53	\$0	\$53	\$53
<b>Total Budget Authority</b>	<b>\$152,000</b>	<b>\$152,000</b>	<b>\$0</b>	<b>\$152,000</b>	<b>\$157,831</b>
<b>Budget Activities</b>					
Audit	\$57,421	\$57,421	\$0	\$57,421	\$62,357
Investigations	\$94,579	\$94,579	\$0	\$94,579	\$95,474
<b>Total Budget Authority</b>	<b>\$152,000</b>	<b>\$152,000</b>	<b>\$0</b>	<b>\$152,000</b>	<b>\$157,831</b>

## 2.3 – Appropriations Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2010		FY 2011				FY 2012		% Change	
	Obligations		FY 2010 Enacted		Annualized		Request		FY 2010 to FY 2012	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>										
Audit	0	\$57,237	349	\$57,421	349	\$57,421	373	\$62,357	6.88%	8.60%
Investigations	0	94,275	486	94,579	486	94,579	491	95,474	1.03%	0.95%
<b>Subtotal New Appropriated Resources</b>	<b>0</b>	<b>\$151,512</b>	<b>835</b>	<b>\$152,000</b>	<b>835</b>	<b>\$152,000</b>	<b>864</b>	<b>\$157,831</b>	<b>3.47%</b>	<b>3.84%</b>
<b>Other Resources:</b>										
Offsetting Collections - Reimbursable	2	2,113	3	1,300	3	1,300	3	1,300	0.00%	0.00%
Available multi-year/no-year funds	27	2,900		6,196						
<b>Subtotal Other Resources</b>	<b>29</b>	<b>\$5,013</b>	<b>3</b>	<b>\$7,496</b>	<b>3</b>	<b>\$1,300</b>	<b>3</b>	<b>\$1,300</b>	<b>0.00%</b>	<b>-82.66%</b>
<b>Total Resources Available for Obligation</b>	<b>29</b>	<b>\$156,525</b>	<b>838</b>	<b>\$159,496</b>	<b>838</b>	<b>\$153,300</b>	<b>867</b>	<b>\$159,131</b>	<b>3.46%</b>	<b>-0.23%</b>

## 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</p> <p style="text-align: center;">Federal Funds</p> <p>General and Special Funds:</p> <p style="text-align: center;"><b>SALARIES AND EXPENSES</b></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 (not to exceed 150 for replacement only for police-type use) and hire of passenger motor vehicles (31 U.S.C. 1343(b)); services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration; \$157,831,000 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.</i></p>	

## **2C – Legislative Proposals**

TIGTA proposes eliminating certain reviews conducted to comply with reporting requirements in the *IRS Restructuring and Reform Act of 1998*. These statutory reviews yield little in the way of improving performance measures and are of relatively low value. TIGTA would prefer to redirect resources applied to these reviews to conducting high-risk audits. TIGTA recommends legislative changes 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 Internal Revenue Code Section 7803 (d)(1)(G).
- The requirement to review and certify annually that IRS is complying with the requirements of 26 U.S.C. section 6103(e)(8) regarding information on joint filers.
- The requirement to annually report on the IRS's compliance with Internal Revenue Code Sections 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.

## Section 3 – Budget and Performance Plan

This table lists all FY 2012 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan provides a description of what the agency intends to accomplish over the next five years.

For detailed information about the FY 2007-2012 Treasury Strategic Plan, please go to: <http://www.treasury.gov/about/budget-performance/strategic-plan/Pages/index.aspx>

### 3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request	% Change FY10 to FY12
Exceptional accountability and transparency	153,300	153,300	159,131	3.80%
<b>Total</b>	<b>\$153,300</b>	<b>\$153,300</b>	<b>\$159,131</b>	<b>3.80%</b>

**3A - Audit** (\$62,357,000 from direct appropriations, and \$551,000 from reimbursable programs): OA’s mission is to promote the sound administration of the nation’s tax laws by conducting comprehensive, independent performance and financial related audits of IRS programs. Audits will 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.

OA strategically evaluates IRS programs and operations so that TIGTA resources are expended in the areas of highest vulnerability. To carry out this goal, OA develops an annual audit plan that communicates its priorities and incorporates both statutory audit coverage, high-risk audit work identified through an annual risk assessment process and stakeholder requests. By focusing on critical areas, OA ensures that TIGTA audits identify and recommend improvements in the most vulnerable IRS programs.

During FY 2010, TIGTA issued 129 audit reports that included potential financial benefits of approximately \$11.46 billion and potentially impacted approximately 2.03 million taxpayer accounts in areas such as taxpayer burden, taxpayer rights and entitlements, taxpayer privacy and security, and increased revenue/revenue protected.

**American Recovery and Reinvestment Act of 2009 (Recovery Act):** The American Recovery and Reinvestment Act of 2009 includes multiple tax law provisions the IRS must implement. TIGTA received \$7 million for oversight and audits of IRS activities related to the Making Work Pay Credit and Economic Recovery Payments. This funding is available through September 30, 2013. While TIGTA received funding to cover the costs of its efforts under the Recovery Act, current estimates indicate that this funding will run out during FY 2012. At that time, the cost of these important audit activities will be absorbed in TIGTA’s regular appropriation.

In FY 2010, OA issued a report noting that millions of taxpayers may be negatively affected by the reduced withholding associated with the Making Work Pay Credit. Taxpayers receive the Making Work Pay Credit by means of a decrease in federal income tax withholding. This creates the vulnerability that some taxpayers may have their taxes under withheld at the end of



Tax Years 2009 and 2010. If taxpayers received more of the Making Work Pay Credit than they are entitled to, they may ultimately owe taxes when filing their Tax Years 2009 and 2010 tax returns and may be assessed estimated tax penalties.

In another review, OA found that initial published guidance for Recovery Act bonds was complete, accurate, and consistent. The Recovery Act authorizes new and expanded bond financing subsidies of more than \$57.8 billion. However, this figure could be much higher because one type of tax credit bond, known as Build America Bonds, was not given a limit. These financing subsidies enable state and local governments to borrow at lower costs for capital projects and also target programs for energy projects and schools. The IRS quickly published guidance to help bond issuers understand how to issue tax-exempt and tax credit bonds intended to stimulate the economy by preserving and creating jobs.

***Ensuring Taxpayer Privacy and Security:*** The IRS's Safeguards Program is tasked with ensuring that state government agencies receiving federal tax information maintain adequate safeguards to protect the data from unauthorized disclosure. This audit was initiated as a follow-up to a prior audit report to determine whether the IRS's Safeguards Program implemented sufficient policies and procedures to ensure that state government agencies adequately protect federal tax information from the IRS. TIGTA found that two of four previously reported conditions, the use of Plans of Actions and Milestones (POA&Ms) and the timeliness of reporting results continue to require management attention. TIGTA identified 45 state government agencies in the POA&M tool that had 1,094 security weaknesses which were not corrected by the targeted milestone dates. Also, safeguard review reports continue to be issued late.

In another review, TIGTA found that the IRS needs to implement additional security controls to protect the Automated Collection System (ACS) and sensitive taxpayer data. The ACS is a telephone contact system used by IRS employees to perform critical IRS processes such as collecting tax revenues and helping taxpayers resolve their tax issues. The lack of complete security controls increases the risks that taxpayer data could be stolen or computer operations could be disrupted.

***Tax Compliance:*** Estimates by the IRS show that sole proprietors who underreported their income caused \$68 billion of the \$345 billion Tax Gap in 2001. This creates an unfair burden on honest taxpayers and diminishes the public's respect for the tax system. TIGTA evaluated closed correspondence audits of individual sole-proprietor returns and found significant tax issues were not addressed during these audits. TIGTA estimates the IRS could realize \$82.6 million in additional taxes and interest over five years if the recommendations are implemented. TIGTA's calculation assumes that all estimated taxes and interest would be owed based upon audits of the taxpayers' records and that conditions such as tax rates and IRS audit coverage remain the same. The amount does not take into consideration implementation costs those associated with training and lost opportunities.

A separate review concluded that lien determinations were not appropriately made or were made late for more than \$1.4 billion in delinquent taxes. The IRS protects its claims against taxpayers who owe delinquent taxes by filing federal tax liens (liens), which establish the IRS's priority among secured creditors for the taxpayers' equity. Failure to protect the government's interest

on taxes that are owed creates an unfair burden on taxpayers who properly pay their taxes in full and on time. TIGTA estimated the IRS could realize \$657.6 million in increased revenue over five years if the recommendation was implemented.

TIGTA also conducted a review to determine whether the IRS effectively implemented provisions identified to assist economically distressed taxpayers having difficulties paying their balance-due accounts. Collection provisions offer many viable alternatives to help resolve taxpayers' balance-due accounts. When the economy weakened, the IRS proactively implemented or re-emphasized provisions to help economically distressed taxpayers. However, some of the actions could jeopardize collections and, at times, some taxpayers may have had difficulty identifying the alternatives if they were unfamiliar with IRS resources.

***Leveraging Data to Improve Program Effectiveness and Reduce Costs:*** TIGTA conducted a review to determine whether the IRS developed and implemented a methodology to reasonably and accurately calculate the cost of Unemployment Trust Fund administrative expenses. The review found that while additional procedures and controls have been implemented, there are still insufficient controls to ensure that expenses associated with the administration of the Unemployment Trust Fund are accurately calculated. For example, the IRS overestimated its trust-fund-related expenses by \$63 million during FYs 2005 through 2009. As a result, these funds were not available during this period to fund the federal government's share of unemployment benefit payments to eligible taxpayers.

***Department-wide Priority – Electronic Stewardship and Data Centers:*** The IRS has implemented programs and processes to improve energy efficiency. For example, some facilities fully implemented an Environmental Management System and/or were awarded the ENERGY STAR<sup>®</sup> designation. In addition, the IRS has a training program to ensure that employees have access to applicable courses and that training completion is documented. However, the IRS does not have policies and procedures for improving energy efficiency in the data centers or for implementing data center energy-efficiency best practices. The IRS could potentially realize savings of \$3.2 million over four years, at two sites, by implementing best practices to improve airflow management.

***Implementing Tax Law Changes:*** OA conducted an audit to determine whether taxpayers who potentially qualified for the Qualified Joint Venture (QJV) filing option were adequately informed of the election and its potential benefits. Many potentially qualified individuals were not aware of the QJV filing option for two reasons: first, the IRS did not clearly present the new tax law provision and its associated benefits in some of its publications or provide sufficient outreach to emphasize the new tax law change to the paid-preparer community; and second, the tax preparation software packages used by taxpayers and paid preparers did not adequately prompt or notify users of the new provision.

### 3.2.1 Audit Budget and Performance Plan

Audit Budget Activity					
Resource Level	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request
Appropriated Resources	\$50,852	\$53,797	\$57,421	\$57,421	\$62,357
Reimbursable Resources	\$539	\$361	\$551	\$551	\$551
<b>Total Resources</b>	<b>\$51,391</b>	<b>\$54,158</b>	<b>\$57,972</b>	<b>\$57,972</b>	<b>\$62,908</b>

<b>Budget Activity Total</b>	<b>\$51,391</b>	<b>\$54,158</b>	<b>\$57,972</b>	<b>\$57,972</b>	<b>\$62,908</b>
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Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Percentage of Audit Products Delivered when Promised to Stakeholders (Oe)	65.0	81.0	76.0	65.0	70.0
Percentage of Recommendations Made that Have Been Implemented (Oe)	85.0	91.0	95.0	83.0	85.0

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, M - Management/Cust. Satisfaction, DISC - Discontinued, and B - Baseline

*Description of Performance:* 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 administration of the federal tax system. The IRS must implement these recommendations in order to realize the financial or non-financial benefits. The 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 utilizes the Department'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 concerns TIGTA identified.

For FY 2010, actual performance has exceeded expectations on both measures. The actual percentage of audit products delivered when promised to stakeholders was 76 percent against a target of 65 percent. The actual percentage of recommendations made that have been implemented was 95 percent against a target of 83 percent.

**3B - Investigations** (\$95,474,000 from direct appropriations, and \$749,000 from reimbursable programs): 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 activity and administrative misconduct by IRS employees, protects the IRS against external attempts to corrupt tax administration, and ensures IRS employee safety and 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. An estimated 47 percent of TIGTA's current investigations involve alleged employee misconduct. In addition to 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 possible fraud and other misconduct by IRS employees. During FY 2010, TIGTA initiated 70 proactive investigative initiatives.

**Employee and Infrastructure Security:** TIGTA is statutorily mandated to ensure that the IRS operates in an environment free from any and all threats on employees, facilities, and data infrastructure. To meet this mandate, TIGTA conducts investigations of individuals or groups who threaten or assault IRS employees, facilities, or IRS data infrastructure. In an era of increasing threats to the nation, the protection of IRS personnel, facilities, and data is of the utmost importance.

According to the Anti-Defamation League, the militia movement has almost quadrupled in size in the past two years, growing to more than 200 groups across the United States. Anti-government and hate groups have grown from 149 groups in 2008, to 512 groups in 2009 -- a 244 percent increase. Each year, OI investigates approximately 900 individuals to determine if they pose a legitimate threat to IRS employees and facilities. Additionally, over 5,000 individuals are currently identified as having the potential to harm the IRS or its employees. During FY 2010, OI closed 1,425 investigations of assaults and/or threats made against IRS employees and facilities.

In addition to the reactive investigations that OI conducts related to threats and assaults, OI investigative analysts monitor the IRS.gov website for any potential threats against IRS employees or facilities that would warrant further investigation. In FY 2010, the investigative analysts have reviewed nearly 39,000 IRS or anti-government related e-mail communications containing key words that could be interpreted as threats. Due to a lack of resources, the investigative analysts have only been able to comprehensively research, analyze, and act on less than one percent of these communications. The inability to identify, monitor, and follow-up on potentially threatening communications made directly to the IRS presents a significant risk.

OI's Electronic Crimes and Intelligence Division (ECID) investigates electronic attacks on the IRS. In calendar year 2010, the IRS Computer Security Incident Response Team (CSIRC) documented almost 22 million external attacks against the IRS network. During this time period, IRS CyberSecurity identified and reported to TIGTA 4,941 "Cyber and Disclosure Incidents"

involving the IRS network. CSIRC also reported 1,006 incidents involving the identification of malware (malicious programs) against the 235,000 devices connected to the IRS enterprise network. The Electronic Tax Administration (ETA) program was mandated by the Congress with a goal that 80 percent of all tax returns would be filed electronically. A successful attack on the ETA program would cause the public to lose confidence in the IRS and could set the entire ETA initiative back many years.

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, including providing 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; as well as tax practitioner fraud relating to thefts of taxpayer remittances and refunds.

In FY 2012, OI foresees continued risks in IRS programs that will require more oversight. Phishing scams that falsely depict e-mails from the IRS are of great interest and risk. ("Phishing" involves sending e-mails to users falsely claiming to be established, legitimate enterprises in order to solicit private information for the purpose of identity theft.) These schemes attempt to retrieve a user's Social Security Number (SSN) and banking information by replicating an official IRS seal and/or requesting information required for depositing tax refunds. The IRS, in coordination with OI, has identified 11,546 phishing sites since November 2005 through December 2010. Oversight in this area is necessary to ensure that misuse of the IRS name, impersonation of an IRS employee, and identity theft incidents are resolved expeditiously.

With the IRS focusing on increased revenue collection from delinquent taxpayers, OI anticipates a rise in attempts to bribe IRS employees involved in those collection activities. TIGTA educates IRS employees on how to recognize bribe overtures and their responsibility to report bribery attempts to TIGTA. During FY 2010, OI closed 59 investigations into bribery of IRS employees by taxpayers.

Another area of concern that poses risks to tax administration is IRS contract improprieties. TIGTA is committed to conducting procurement investigations that ensure the highest degree of integrity, economy, and efficiency in IRS contracts. TIGTA conducts proactive and reactive

investigations to detect and deter criminal activity by contractors and IRS employees. TIGTA's contract fraud work has produced significant results, including over \$158 million in recovered penalties during FY 2010.

Investigative work in these three core areas is imperative to protect the integrity of tax administration. The results of this work help ensure that the public has confidence in its dealings with the IRS.

### 3.2.2 Investigations Budget and Performance Plan

#### Investigations Budget Activity

Resource Level	FY 2008 Obligated	FY 2009 Obligated	FY 2010 Enacted	FY 2011 Annualized CR Level	FY 2012 Request
Appropriated Resources	\$89,161	\$91,979	\$94,579	\$94,579	\$95,474
Reimbursable Resources	\$727	\$582	\$749	\$749	\$749
<b>Total Resources</b>	<b>\$89,888</b>	<b>\$92,561</b>	<b>\$95,328</b>	<b>\$95,328</b>	<b>\$96,223</b>
<b>Budget Activity Total</b>	<b>\$89,888</b>	<b>\$92,561</b>	<b>\$95,328</b>	<b>\$95,328</b>	<b>\$96,223</b>

Measure	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Percentage of Results from Investigative Activities (Oe)	78.0	83.0	86.0	79.0	80.0

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, M - Management/Cust. Satisfaction, DISC - Discontinued, and B - Baseline

*Description of Performance:* Investigative results include cases referred for prosecution, arrests, indictments, and convictions. Examples of the types of criminal activity investigated are: bribes offered by taxpayers to compromise IRS employees; manipulation of IRS systems and programs through the use of bogus liens and IRS financial reporting instruments; and impersonation of IRS officials. For FY 2010, actual performance has exceeded expectations (actual performance was 86 percent, while the target was 79 percent). These results are indicative of OI's continuous focus on quality investigative activities.

For detailed information about each performance measure, including definition, verification and validation, please go to: <http://www.treasury.gov/offices/management/dcfo/accountability-reports/>

## **Section 4 – Supporting Materials**

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### **4A – Human Capital Strategy Description**

#### **Hiring Reform**

TIGTA is revamping its hiring process to comply with the President's ambitious recruitment and hiring initiative. TIGTA has identified potential barriers, one of which is training. Training opportunities will be available to educate hiring managers/supervisors on improvements to the federal hiring process. TIGTA will also address recruiting and hiring highly qualified veterans and assist hiring officials in finding the best talent.

Furthermore, TIGTA has revised its vacancy announcement wording to meet the five- page length requirement; updated its tracking system for recruiting actions to include new date fields for tracking the 80-day model; created 80-day tracking reports; and are considering the use of category rating.

#### **Veterans' Employment**

To enhance recruitment of and promote employment opportunities for veterans, TIGTA supports the Wounded Warriors Program by providing employment assistance for program participants.

On February 24, 2010, TIGTA presented an informational session at the National Naval Medical Center in Bethesda, Maryland. The informational session was designed to educate soldiers/veterans on TIGTA's mission and assistance with job placement for soldiers/veterans with disabilities.

TIGTA also plans to provide detailed resume writing workshops, mock interviews, and tips on how to navigate the government hiring process. TIGTA continually solicits resumes from qualified soldiers and veterans interested in becoming part of the TIGTA Wounded Warrior Intern Program.

To provide annual mandatory training to hiring managers/supervisors on veterans' preference and special authorities for the hiring of veterans, TIGTA is coordinating with Treasury's Veterans Employment Office. This will provide hiring managers/supervisors training on effective, efficient, and timely ways to recruit and hire well-qualified individuals. TIGTA is also preparing a Leadership and Manager Supervisor Training manual that outlines each manager's responsibility to ensure training on veteran hiring.

#### **Hiring of Individuals with Disabilities**

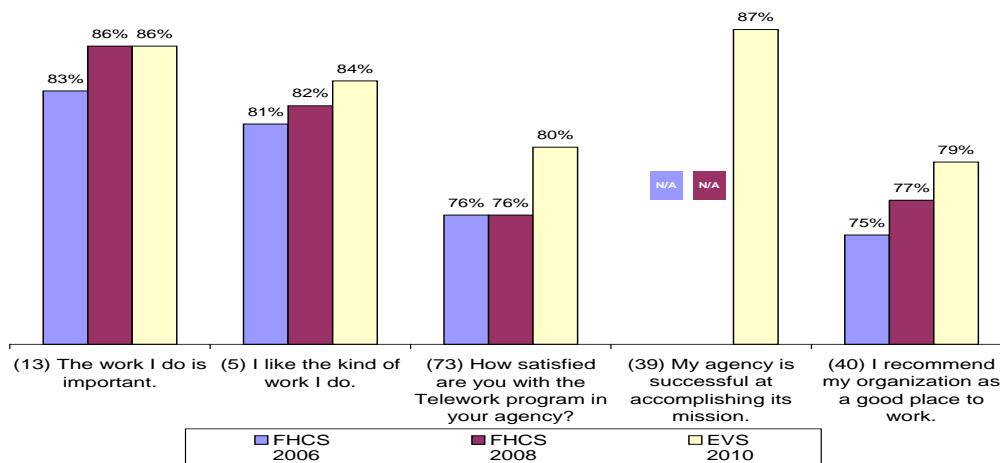
TIGTA actively participates in The Treasury's disABILITY and IT Accessibility Summit and Career Fairs. Participation in the Summit emphasizes TIGTA's commitment to a diverse workforce, increases recruiting efforts to employ persons with disabilities, and supports TIGTA's leadership role to reach an underrepresented group in the federal government. TIGTA also conducts outreach activities targeted at recruitment of groups identified as under-represented and makes direct hire appointments under non-competitive authorities for individuals with disabilities.

## Employee Engagement

TIGTA relies on the results from OPM's Employee Viewpoint Survey (EVS) to measure employee engagement. The EVS focuses on employee perceptions regarding critical areas of their work life, areas which drive employee satisfaction, commitment, and ultimately retention in the workforce.

TIGTA's response rate for 2010 was 79 percent, higher than the overall government average and second place among Treasury bureaus. The survey is distributed to all TIGTA permanent employees. The survey found that TIGTA employees continue to be happy with their jobs and feel their work is important; in addition, employees are satisfied with the Telework program at TIGTA. The vast majority believe TIGTA is accomplishing its mission and would recommend it as a good place to work.

*TIGTA's EVS trends for 2006, 2008 and 2010*



TIGTA's leaders have taken the survey results very seriously. From the Department-wide report provided by OPM, TIGTA completed a more thorough analysis and developed individual reports specifically for each of the functions. TIGTA uses the survey results to continually improve how the workforce is managed and to meet its strategic human capital management goals. The below snapshot shows overview of TIGTA's survey findings:

- 0 items increased by 5 percentage points since 2008;
- 4 items decreased by 5 percentage points since 2008;
- 53 items had positive ratings of 65% or greater (strengths); and
- 24 items had positive ratings of 35% or less (weaknesses).

Action plans for continued employee satisfaction and increased employee engagement are in the process of being developed for FY 2011.

Action plans for FY 2010 centered on two broad themes of communication and training:

### *Improved Communication*

- Formalize employee suggestion programs and create mechanism for feedback.



- Utilize electronic medium to facilitate electronic discussion threads and a voluntary photo directory. These improvements are important given the geographic dispersion of TIGTA staff.
- Develop succession plans that emphasize leadership competencies.
- Hold regular town-hall style meetings so that employees can be certain they will be given an opportunity to publically raise concerns.
- Initiate new employee orientation curriculum so that new employees can learn that TIGTA is committed to maintaining diversity, flexibility and integrity in its workforce.
- Hold conferences when necessary to communicate decisions and solicit input from staff working in remote field offices.

### *Targeted Training*

- Develop a staff-wide training plan that identifies core training needs as well as continued development Improve new employees' understanding of TIGTA's critical mission through the new employee orientation program.
- Train managers in leadership skills designed to develop, improve, build and maintain trust in working relationships.
- Conduct 360 self-assessments that provide managers with insight on their strengths and weaknesses.
- Implement employee rotation program that allows employees an opportunity to diversify their experience, discover their strengths and explore new areas of interest.
- Develop a skills assessment program that allows employees an opportunity to identify competency gaps and needed development opportunities designed to close those gaps.
- Empower staff who identify technical training needs to work on related projects in order to develop the needed skills. This allows staff to assume leadership and direction roles outside the normal manager/staff relationship.

### **Wellness**

TIGTA's Wellness Program Initiative reflects aspects of the framework provided in the "Elements of a Comprehensive Worksite Wellness Program" and "Healthy People Guidelines." TIGTA has also integrated federal government requirements from OPM. Specifically, the plan incorporates and highlights the *five elements* for an effective worksite wellness program:

- Health and Wellness Education Programs;
- Social, Physical and Environment Support;
- Integration of Worksite Wellness Program into Organizational Structure;
- Linkages with Related Programs; and
- Screenings.

TIGTA is an organization that values its workforce and the wellness initiative will complement its renowned work-life balance program. TIGTA's leadership and management support this program and are committed to providing the resources necessary to promote health and enhance the lives of its talented and dedicated team.

#### 4.1 – Summary of IT Resources Table

Dollars in Thousands

Major IT Investments / Funding Source	Budget Activity	FY 2009 Enacted	FY 2010 Enacted	% Change from FY09 to FY10	FY 2011 CR	% Change from FY10 to FY11	FY 2012 Request	% Change from FY11 to FY12
<b>Subtotal, Major IT Investments</b>		NA	NA	NA	NA	NA	NA	NA
Performance and Results Information System (PARIS)	TIGTA: Audit and Investigations Activity	\$1,000	\$574	-42.6%	\$574	0.0%	\$426	-25.8%
PARIS Property Module (PPM)	TIGTA: Audit and Investigations Activity	\$500	\$149	-70.2%	\$149	0.0%	\$117	-21.5%
<b>Non-Major IT Investments</b>		\$1,500	\$723	-51.8%	\$723	0.0%	\$543	-24.9%
TIGTA End User Systems and Services	TIGTA: Audit and Investigations Activity	\$8,293	\$2,678	-67.7%	\$2,678	0.0%	\$2,808	4.9%
Telecommunications Systems and Services	TIGTA: Audit and Investigations Activity	\$3,300	\$2,465	-25.3%	\$2,465	0.0%	\$2,543	3.2%
Data Center Systems and Services	TIGTA: Audit and Investigations Activity	\$1,000	\$4,003	300.3%	\$4,003	0.0%	\$4,003	0.0%
<b>Infrastructure Investments</b>	<b>TIGTA: Audit and Investigations Activity</b>	\$12,593	\$9,146	-27.4%	\$9,146	0.0%	\$9,355	2.3%
<b>Consolidated Enterprise Content Management</b>	<b>TIGTA: Audit and Investigations Activity</b>	\$129	\$0	-100.0%	\$0	0.0%	\$0	0.0%
<b>Consolidated Identity Management</b>	<b>TIGTA: Audit and Investigations Activity</b>	\$128	\$0	-100.0%	\$0	0.0%	\$0	0.0%
<b>Enterprise Architecture</b>	<b>TIGTA: Audit and Investigations Activity</b>	\$250	\$275	10.0%	\$275	0.0%	\$275	0.0%
<b>Total IT Investments</b>		\$14,600	\$10,144	-30.5%	\$10,144	0.0%	\$10,173	0.3%

#### **4B – Information Technology Strategy**

TIGTA's IT Strategy is to:

- Deliver a full set of IT Infrastructure services commensurate with TIGTA's independence requirements to allow employee access to TIGTA resources wherever they may be working;
- Work with the IRS to maintain a secure pathway for TIGTA employees to access IRS systems that meets TIGTA's needs and expectations and supports IRS's responsibility to maintain system security;
- Provide and maintain application systems to support the creation, management, and improvement of products related to TIGTA business mission;
- Maintain technology competencies needed to adapt to changes in the internal and external environments of U.S. tax administration;
- Deploy IT securely to assure the privacy of the vast amounts of taxpayer and law enforcement information in TIGTA's possession;
- Work with the rest of the Department to deploy and maintain IT infrastructure in an efficient, effective, sustainable manner.

By the end of Fiscal Year 2012, TIGTA plans to refresh its client computing hardware and software platforms to use the most efficient power management settings on the most efficient hardware platform available during the refreshment acquisition period.

With changes and improvements in information technology, TIGTA is faced with the constant challenge to maintain IT operational capability and make progress on new IT investment. In FY 2009, TIGTA committed to improving its governance of IT investments by establishing a Program Management directorate to support selection of IT investment on total cost and positive organizational impact and assure selected IT investments are delivered within cost, on schedule, and deliver the expected business performance.

In FY 2010, TIGTA stood up its new IT governance program. All new IT requests pass through a Program Management Board (PMB) chaired by the Associate Inspector General for Mission Support. Requests must present a total cost picture, a positive business case and high-level work breakdown schedule adjusted for risks, especially TIGTA's pervasive IT resource risks, to gain PMB approval to commence work. Projects involving significant financial commitments or high mission visibility to TIGTA require approval from the Investment Review Board, composed of TIGTA's senior executives.

By the end of FY 2010, TIGTA plans to undertake one or more performance reviews of existing business application investments to determine if reinvestment is in order.

By FY 2012, TIGTA plans to extend its new governance process to all TIGTA business units to help them 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 and/or are not delivering at anticipated business performance levels will be analyzed for cause, to be followed by an appropriate continue or stop governance action.