

Treasury Inspector General for Tax Administration

Mission Statement

To provide audit and investigative 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 2008	FY 2009		FY 2010		
	Enacted	ARRA	Enacted	Request	\$ Change	% Change
Audit	\$52,959	\$5,600	\$55,186	\$56,289	\$1,103	2.0%
Investigations	\$87,574	\$1,400	\$90,897	\$92,711	\$1,814	2.0%
Total Appropriated Resources	\$140,533	\$7,000	\$146,083	\$149,000	\$2,917	2.0%
Total FTE	835	-	835	835	-	-

FY 2010 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;
- Responding to 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' service to taxpayers; and
- Informing the American people, Congress, and the Secretary of the Treasury of problems and progress made to resolve them.

Table of Contents

Treasury Inspector General for Tax Administration	1
Section 1 – Purpose	3
1A – Description of Bureau Vision and Priorities	3
1B – Program History and Future Outlook.....	4
Section 2 – Budget Adjustments and Appropriation Language	8
2.1 – Budget Adjustments Table.....	8
2A – Budget Increases and Decreases Description	8
2.2 – Operating Levels Table.....	9
2.3 – Appropriations Detail Table	10
2B – Appropriations Language and Explanation of Changes.....	10
2C – Legislative Proposals	11
Section 3 – Budget and Performance Plan	12
3.1 – Budget by Strategic Outcome	12
3.2.1 – Audit Budget and Performance Plan	14
3.2.2 – Investigations Budget and Performance Plan	17
Section 4 – Supporting Materials	18
4A – Human Capital Strategy Description	18
4.1 – Summary of IT Resources Table	20
4B – Information Technology Strategy	21
4.2 – Program Assessment Table.....	24

Section 1 – Purpose

1A – Description of Bureau Vision and Priorities

The Treasury Inspector General for Tax Administration (TIGTA) was created by Congress as a part of the *Internal Revenue Service Restructuring and Reform Act of 1998* (RRA 98). TIGTA's audits and investigations protect and promote the fair administration of the American tax system. TIGTA conducts audits that advise the American people, 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 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 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 Federal tax administration system. TIGTA ensures that the American taxpayer can have confidence that the IRS collects nearly \$3 trillion in tax revenue in an effective and efficient manner using a system that is just and equitable.

TIGTA's FY 2010 Budget request is \$149,000,000, an increase of 2.0 percent above the FY 2009 enacted level. These requested resources will finance critical audit, investigative, and inspection and evaluation services, protecting 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, security, addressing the tax gap, and human capital challenges facing the IRS;
- Responding to 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' service to taxpayers; and
- Informing the American people, Congress, and the Secretary of the Treasury of problems and progress made to resolve them.

Additionally, TIGTA's strategic goals contribute to the Department's goals and objectives. These strategic goals are to:

- Promote the Economy, Efficiency, and Effectiveness of Tax Administration;
- Protect the Integrity of Tax Administration and;

- Be an Organization that Values Its People.

In FY 2010, TIGTA faces the challenge of adapting its oversight activities to address increasingly complex and high-risk issues associated with IRS operations. Some of these issues include detection and investigation of fraud and electronic crime, review of procurement activities, safeguarding taxpayer privacy, and an increasing number of requests for IRS program reviews from Congress and other IRS stakeholders. Each of these issues presents significant challenges for 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 2010:

- the aggregate budget request for the operations of TIGTA is \$149,000,000,
- the portion of this amount needed for TIGTA training is \$2,536,000.

The amount requested for training satisfies all TIGTA training needs for fiscal year 2010.

1B – Program History and Future Outlook

Previously a longstanding enforcement 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 oversight, including oversight of the IRS Chief Counsel and the IRS Oversight Board. TIGTA's audits, investigations, and inspections and evaluations are integral to the efficient and equitable application of the Nation's tax laws, and thereby ensure that this critical source of Federal revenue is prudently and fairly administered and secure from internal and external threats. Oversight activities are explicitly designed to identify high-risk systemic inefficiencies in IRS operations and investigate exploited weaknesses in tax administration.

TIGTA continues to provide comprehensive coverage and oversight of all aspects of the IRS' operations. In FY 2008, TIGTA's overall accomplishments included:

Ensuring Taxpayer Privacy and Security: Millions of taxpayers entrust the IRS with sensitive financial and personal data, which is processed and stored by IRS computer systems. This trust is the cornerstone of the Nation's voluntary tax compliance system. However, increased connectivity of computer systems, the increasingly volatile threat environment resulting from increased terrorist and hacker activity, and increasing reports of identity theft from both the private and public sectors emphasize the importance of protecting taxpayer data. In FY 2008, TIGTA's Office of Audit (OA) issued reports addressing network and database security risks and provided the IRS with recommendations to improve controls in both areas.

To protect sensitive taxpayer information from being jeopardized, TIGTA proactively identifies IRS employees who inappropriately access and/or disclose private taxpayer

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 are subject to Federal prosecution, termination of employment, or other disciplinary action. Since enactment of the *Taxpayer Browsing Protection Act* in August 1997, TIGTA investigations have resulted in more than 2,000 adverse personnel actions taken by the IRS and 196 criminal prosecutions for UNAX violations through September 2008.

Although TIGTA's audit efforts examine a wide range of IRS computer systems and address overall computer and physical security at the IRS, investigative efforts prior to FY 2008 monitored only one IRS system of records, the Integrated Data Retrieval System (IDRS), containing confidential taxpayer information. Over the past three years, TIGTA initiated an average of 468 criminal investigations that involved UNAX per year. TIGTA's proactive program for identifying UNAX was responsible for the initiation of between 50 and 59 percent of these UNAX investigations. Of the proactively identified UNAX leads closed in FY 2008, 89 percent were substantiated by TIGTA investigators as UNAX violations and 28 percent resulted in the identification of further potential criminal violations, including falsification of records, fraud, embezzlement and identity theft. Last year, TIGTA established an investigative group to keep pace with the IRS' modernization efforts. As the IRS currently utilizes over 240 computer applications which may contain sensitive IRS employee and taxpayer information and is continuing a vigorous implementation of modernized systems, TIGTA is now better positioned to provide appropriate oversight of those efforts, and to investigate the criminal violations committed by those who abuse the new systems.

Tax Compliance: TIGTA's increased community outreach efforts have helped the IRS to deliver quality customer service to taxpayers and the tax practitioner community. TIGTA worked diligently to make contact with large segments of the IRS workforce and other external entities. By doing so, TIGTA developed relationships with these groups that assist in identifying crimes against the IRS and taxpayers. The outreach efforts resulted in increased reports of bribery, UNAX violations, and other offenses that undermine effective tax administration. Between October 2007 and September 2008, TIGTA provided presentations to more than 69,000 IRS employees and external entities. Specifically, TIGTA's Office of Investigations (OI) provided integrity and fraud awareness presentations to revenue officers and revenue agents at their continuing professional education conferences. During this same period, OI worked to educate tax professionals by providing 72 awareness presentations to tax practitioners and preparers at professional conferences.

Advising Congress: Between October 1, 2007 and September 30, 2008, TIGTA provided 4 testimonies, 19 briefings, and 25 responses to 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. In FY 2008, TIGTA's Office of Inspections and Evaluations (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 our 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 Congress and other IRS stakeholders. The scope of the group's efforts ranges from answering Congressional concerns to evaluating IRS' ability to administer the tax laws. I&E will 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, we expect its influence in overseeing tax administration to grow and its service of informing interested parties to expand.

Fraud and Electronic Crime: TIGTA's reviews have identified IRS computer weaknesses that could jeopardize the security of personally identifiable information. The sensitivity of the data makes the IRS an attractive target for employees, hackers, and others who could use the information for fraud and identity theft. TIGTA's audit, investigative, and inspection and evaluation work provides for 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 leading to a decline in voluntary compliance represents a potential risk to national security.

Audit Outcomes: TIGTA's audits not only focus on the economy and efficiency of IRS functions, but also the protection of taxpayers' rights. TIGTA strives to protect the integrity of America's tax system. Among other significant tax administration related issues, TIGTA reports have identified opportunities for the IRS to enhance its tax compliance initiatives, including improved identification of unreported self-employment taxes and consistent use of penalties to promote fairness in the tax system and encourage voluntary compliance. Between October 1, 2007, and September 30, 2008, TIGTA issued 179 reports identifying approximately \$2.4 billion in potential financial benefits (i.e., cost savings, increased/protected revenue, taxpayer rights and entitlements, and inefficient use of resources). These reports also impacted approximately 5.7 million taxpayers' 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. These audits returned \$53 for each \$1 invested in FY 2008.

Investigative Outcomes: OI investigates threats to America's tax system which could impede the collection of revenues or which could erode public confidence. Between October 1, 2007, and September 30, 2008, 78 percent of the 3,662 closed investigations generated results, including 1,569 cases of employee misconduct referred for potential disciplinary action and 171 cases accepted for prosecution. Unauthorized access to confidential tax information remains a significant problem for the IRS. During the same period, TIGTA opened 434 new UNAX cases and closed 491 cases, 471 of which resulted in personnel action against IRS employees.

Inspections and Evaluations Outcomes: I&E provided regular status reports on the IRS' private debt collection initiative and produced analysis related to the recent flooding of the IRS headquarters. Additionally, I&E has reported on several pertinent issues including *Protecting Hardcopy Personally Identifiable Information from Identity Theft, Enhancing Controls to Further Strengthen Lockbox Bank Oversight, and Preventing Abuses of Religious Compensatory Time*. 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

Inspector General for Tax Administration	FTE	Amount
FY 2009 Enacted	835	146,083
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$3,264
Across the Board Program Reduction	-	(504)
Non-Pay Inflation Adjustment	-	318
Pay Annualization	-	1,110
Pay Inflation Adjustment	-	2,340
Non-Recurring Costs:	-	(\$347)
No obligation to fund CIGIE	-	(347)
Subtotal FY 2010 Changes to Base	-	\$2,917
Total FY 2010 Base	835	149,000
Total FY 2010 President's Budget Request	835	149,000

2A – Budget Increases and Decreases Description

Maintaining Current Levels (MCLs) +\$3,264,000 / +0 FTE

Across the Board Program Reduction -\$504,000 / +0 FTE

This amount reflects a calculated across the board program reduction.

Non-Pay Inflation Adjustment +\$318,000 / +0 FTE

Funds are requested for non-pay related items such as contracts, travel, supplies, equipment and GSA rent.

Pay Annualization +\$1,110,000 / +0 FTE

Funds are requested for the FY 2010 cost of the January 2009 pay raise.

Pay Inflation Adjustment +\$2,340,000 / +0 FTE

Funds are requested for the January 2010 pay raise.

2.2 – Operating Levels Table

Bureau: Inspector General for Tax Administration	FY 2008 Enacted	FY 2009 ARRA	FY 2009 President's Budget	Congressional Action Including Rescission	FY 2009 Enacted Level	Proposed Reappropriations	FY 2009 Proposed Operating Level	FY 2010 Requested Level	% Change to FY 2009
FTE	835	0	835	0	835	0	835	835	0.00%
Object Classification:									
11.1 - Full-time permanent	75,901	4,501	78,314	0	78,314	0	78,314	80,624	2.95%
11.3 - Other than full-time permanent	576	0	576	0	576	0	576	593	2.95%
11.5 - Other personnel compensation	9,398	497	9,131	0	9,131	0	9,131	9,443	3.42%
12 - Personnel benefits	25,226	1,603	26,298	0	26,298	0	26,298	27,109	3.08%
21 - Travel and transportation of persons	4,552	301	4,834	0	4,834	0	4,834	4,694	-2.90%
22 - Transportation of things	24	0	24	0	24	0	24	24	0.00%
23.1 - Rental payments to GSA	8,024	0	8,952	0	8,952	0	8,952	9,143	2.13%
23.2 - Rental payments to others	282	0	288	0	288	0	288	288	0.00%
23.3 - Comm, utilities, and misc charges	8,688	0	2,570	0	2,570	0	2,570	2,570	0.00%
24 - Printing and reproduction	8	0	8	0	8	0	8	8	0.00%
25.1 - Advisory and assistance services	1,152	0	1,175	0	1,175	0	1,175	1,135	-3.40%
25.2 - Other services	921	0	986	0	986	0	986	921	-6.59%
25.3 - Other purchases of goods and services from Govt. accounts	0	0	6,695	347	7,042	0	7,042	6,710	-4.71%
25.4 - Operation and maintenance of facilities	407	0	407	0	407	0	407	407	0.00%
25.5 - Research and development contracts	0	0	0	0	0	0	0	0	0.00%
25.7 - Operation and maintenance of equip	1,252	0	1,277	0	1,277	0	1,277	1,232	-3.52%
26 - Supplies and materials	1,170	98	1,193	0	1,193	0	1,193	1,164	-2.43%
31 - Equipment	2,750	0	2,805	0	2,805	0	2,805	2,732	-2.60%
42 - Insurance claims and indemnities	150	0	150	0	150	0	150	150	0.00%
91.0 - Confidential Expenditures	52	0	53	0	53	0	53	53	0.00%
Total Budget Authority	\$140,533	\$7,000	\$145,736	\$347	\$146,083	\$0	\$146,083	\$149,000	2.00%
Budget Activities:									
Audit	52,959	5,600	55,055	131	55,186	0	55,186	56,289	2.00%
Investigations	87,574	1,400	90,681	216	90,897	0	90,897	92,711	2.00%
Total Budget Authority	\$140,533	\$7,000	\$145,736	\$347	\$146,083	\$0	\$146,083	\$149,000	2.00%

2.3 – Appropriations Detail Table

Dollars in Thousands

2.3 Appropriation Detail Table

(Dollars in Thousands)

This chart displays total resources available by budget activity, including funding and FTE.

Resources Available for Obligation	FY 2008 Obligations		FY 2008 Enacted		FY 2009 ARRA		FY 2009 Enacted		FY 2010 Request		% Change FY 2009 to FY 2010	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:												
Audit	349	\$50,852	349	\$52,959	0	\$5,600	349	\$55,186	349	\$56,289	0.00%	2.00%
Investigations	486	89,161	486	87,574	0	1,400	486	90,897	486	92,711	0.00%	2.00%
Subtotal New Appropriated Resources	835	\$140,013	835	\$140,533	0	\$7,000	835	\$146,083	835	\$149,000	0.00%	2.00%
Other Resources:												
Offsetting Collections - Reimbursable	3	1,266	3	900	0	0	3	900	3	1,300	0.00%	44.44%
Subtotal Other Resources	3	\$1,266	3	\$900	0	\$0	3	\$900	3	\$1,300	0.00%	44.44%
Total Resources Available for Obligation	838	\$141,279	838	\$141,433	0	\$7,000	838	\$146,983	838	\$150,300	0.00%	2.26%

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;">SALARIES AND EXPENSES</p> <p>For necessary expenses of the Treasury Inspector General for Tax Administration, in carrying out the <i>Inspector General Act of 1978, as amended</i>, including purchase (not to exceed 150 for replacement only for police-type use) and hire of passenger motor vehicles (<i>31 U.S.C. 1343 (b)</i>); services authorized by <i>5 U.S.C. 3109</i>, at such rates as may be determined by the Inspector General for Tax Administration, not to exceed \$6,000,000 for official travel expenses; and not to exceed \$500,000 for unforeseen emergencies of a confidential nature, to be allocated and expended under the direction of the Inspector General for Tax Administration [\$146,083,000] \$149,000,000; and of which not to exceed \$1,500 shall be available for official reception and representation expenses. (<i>Department of the Treasury Appropriations Act, 2009</i>)</p>	

2C – Legislative Proposals

TIGTA does not have any legislative proposals for FY 2010.

Section 3 – Budget and Performance Plan

This table lists all FY 2010 resources by strategic goal, objective and outcome outlined in the FY 2007-2012 Treasury Department Strategic Plan. The Treasury Strategic Plan is a corporate level plan for the Department that 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.treas.gov/offices/management/budget/strategic-plan/>

3.1 – Budget by Strategic Outcome

Dollars in Thousands

Treasury Strategic Outcome	FY 2009 Enacted	FY 2009 Recovery	FY 2010 Request	Percent Change
Accountability & trans	146,983	7,000	150,300	2.3%
Total	\$146,983	\$7,000	\$150,300	2.3%

3A – Audit (\$56,289,000 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 audits of IRS programs. 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. Moreover, implementation of TIGTA audit recommendations results in cost savings and increased or protected revenue, reduction of taxpayer burden, protection of taxpayer rights and entitlements, protection of taxpayer privacy, and protection of IRS resources.

OA strategically evaluates IRS programs, activities, and functions 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 and 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.

As of September 30, 2008, 179 audit reports produced potential financial benefits of approximately \$2.4 billion and potentially impacted approximately 5.7 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. These reports included the following aspects of tax administration:

Tax Compliance: The IRS estimated the gross tax gap, defined as the difference between the estimated amount taxpayers owe and the amount they voluntarily and timely pay for a tax year, to be \$345 billion in Tax Year 2001. This gap exemplifies the considerable

challenges the IRS faces in collecting sufficient revenue and the Federal tax system's critical dependence on voluntary compliance.

Self-employment tax is estimated to make up about \$39 billion or 11 percent of the total gross tax gap, making it one of the largest components of the tax gap. An FY 2008 OA audit recommended that the IRS improve its processes for identifying taxpayers who are subject to but do not pay self-employment taxes. The report estimated that the IRS could assess an additional \$39 billion in Social Security and Medicare taxes over a five-year period by making the changes recommended in the report.

In a similar vein, the IRS established a Withholding Compliance Task Force in January 2004 that estimated approximately \$7.6 billion of potentially collectible taxes is lost annually to withholding non-compliance. An FY 2008 audit aimed at evaluating the effectiveness of the IRS' actions on under withheld tax compliance cases estimated that the IRS could potentially have realized \$34.5 million in additional tax withholding if the Withholding Compliance Program ensured employers complied with notice instructions.

TIGTA will continue to work with the IRS to identify other opportunities to reduce the tax gap and improve the efficiency and effectiveness of America's tax system.

Quality of Taxpayer Services: During FY 2008, there was a great deal of public and Congressional interest in the IRS implementation of the *Economic Stimulus Act of 2008*. Because of the visibility of the program, the potential risks associated with the program, and the rapid implementation of the program, TIGTA auditors were actively involved in monitoring key aspects of this program. During OA's review of the IRS' planning efforts, issues were brought to IRS management's attention while the audit was being conducted. This level of cooperation enabled the IRS to address potential problems immediately.

An audit of the financial management of Low Income Tax Clinics revealed that additional guidance and oversight was necessary to ensure that grantees properly manage and report on their use of grant funds. OA recommendations have resulted in changes to this program to strengthen oversight of this program.

Privacy and Security: Millions of taxpayers entrust the IRS with sensitive financial and personal data stored in and processed by IRS computer systems. Recent reports of identity theft from both the private and public sectors have heightened awareness of the need to protect this data. The risks that sensitive data or computer systems could be compromised and computer operations disrupted continue to increase. These risks are caused by: internal factors such as increased connectivity of computer systems and increased use of portable laptop computers, and external factors such as the volatile threat environment related to increased terrorist and hacker activity.

TIGTA audits identified a variety of security threats in IRS computer systems. For example, OA identified approximately 1,800 internal web servers on the IRS network which had not been approved for connection to the network as well as approximately 2,100 internal web servers that had at least one security vulnerability. In another audit, a

scan of IRS databases identified 369 installation accounts which had blank passwords or which used the default passwords. These audits provide recommendations which enhance information system security.

Procurement: OA found that the IRS’ use of performance-based acquisitions was well below goals established by the Federal Government in part as a result of a lack of experienced personnel. IRS management has distributed a memorandum encouraging program office management to emphasize the use of performance-based acquisitions and encouraging training.

OA also conducted a trend analysis of common issues and findings identified in previously issued invoice and voucher audits which found that the control environment was ineffective and did not prevent overpayments to contractors. In response to OA’s audits, IRS Procurement has developed a Guidebook for Acquisition Practices that provides a detailed process for reviewing invoices and vouchers.

Human Capital: TIGTA audits have examined IRS human capital programs. As the result of OA recommendations, the IRS is developing a strategic leadership succession plan as well as a comprehensive, agency-wide workforce planning process.

Other Resources: TIGTA receives \$551,000 in reimbursement to support activity related to Defense Contract Audit Agency audits conducted on behalf of the IRS and other activity conducted on behalf of the Department of the Treasury.

3.2.1 – Audit Budget and Performance Plan

Audit Budget Activity						
Resource Level	FY 2006	FY 2007	FY 2008	FY 2009		FY 2010
	Obligated	Obligated	Obligated	ARRA	Enacted	Request
Appropriated Resources	\$48,916	\$49,087	\$50,852	\$5,600	\$55,186	\$56,289
Reimbursable Resources	\$915	\$300	\$539	\$0	\$500	\$551
Total Resources	\$49,831	\$49,387	\$51,391	\$5,600	\$55,686	\$56,840

Budget Activity Total	\$49,831	\$49,387	\$51,391	\$5,600	\$55,686	\$56,840
------------------------------	-----------------	-----------------	-----------------	----------------	-----------------	-----------------

Budget Activity	Performance Measure	FY 2006	FY 2007	FY 2008	FY 2009		FY 2010
		Actual	Actual	Actual	ARRA	Target	Target
Audit	Percentage of audit products delivered when promised to stakeholders (%) (Oe)	0	68	65	65	65	65
Audit	Percentage of recommendations made that have been implemented (%) (Oe)	0	90	85	83	83	83

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

Description of Performance: The likelihood that TIGTA’s products will be used is enhanced 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 for our work to produce financial or non-financial benefits. This measure assesses TIGTA's effect on improving the IRS' 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 (4) years ago that have been implemented, rather than the results of our activities during the fiscal year in which the recommendations are made. TIGTA is able to track its recommendations that have not been implemented by the IRS. TIGTA also has a formal process with the IRS for closing out unimplemented recommendations for which circumstances may have changed, or for when the IRS has taken alternative corrective measures that address concerns identified by TIGTA.

3B – Investigations (*\$92,711,000 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 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: The IRS' ability to deliver taxpayer service, enforce tax laws effectively, and collect the proper amount of taxes can be undermined by employee misconduct. Over 50 percent of TIGTA's current investigations involve alleged employee misconduct. These investigations of employee misconduct allegations include extortion, theft, taxpayer abuse, false statements, and financial fraud. In addition, an integral part of the employee integrity program involves investigations of unauthorized access to confidential taxpayer records by IRS employees.

Employee and Infrastructure Security: In 1998, the President designated IRS operations as a critical infrastructure.¹ TIGTA meets the challenge of maintaining IRS employee and infrastructure security by conducting investigations in reaction to incidents in which IRS employees, facilities, and infrastructure are sabotaged, threatened, or assaulted. Potential threats to tax administration are identified by TIGTA's administration of a Criminal Intelligence Program that utilizes law enforcement and intelligence resources to proactively identify individuals and groups who may pose a threat to tax administration.

Congressional concern regarding the magnitude of uncollected revenue has prompted the IRS to intensify enforcement activities. Heightened enforcement is likely to cause a rise

¹ *Presidential Decision Directive NSC-63.*

in external threats to IRS employees and infrastructure. Both TIGTA's proactive and reactive initiatives are critical to mitigating such future risks. OI currently participates on the Federal Bureau of Investigation (FBI) Joint Terrorism Task Forces and conducts criminal intelligence gathering to uncover and track external threats to tax administration from individuals, anti-government groups, and terrorists. From FY 2005 through the end of FY 2008, OI initiated 609 investigations of assaults and/or threats made against IRS employees, and 196 investigations of assaults and/or threats made against IRS facilities.

External Attempts to Corrupt Tax Administration: External attempts to corrupt tax administration impede the IRS' ability to collect revenue. OI's investigations of external attempts to corrupt or interfere with tax administration include: bribes offered by taxpayers to compromise IRS employees; the use of fraudulent IRS documentation to commit crimes; taxpayer abuse by tax practitioners; impersonation of IRS employees; and the corruption of IRS programs through procurement fraud.

In FY 2010, OI expects major IRS programs to be at high risk for corruption of Federal tax administration and thus require intensified oversight. Particularly important to TIGTA are phishing scams that falsely depict e-mails from the IRS.² Such schemes attempt to retrieve a user's Social Security number and banking information by replicating an official IRS seal and/or requesting information required for depositing tax refunds. The IRS, with investigative support provided by OI, has identified 3,810 phishing sites between November 2005 and October 2008. 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 properly.

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. During FY 2008, OI conducted 51 investigations into bribery by non-IRS employees. In addition, OI conducted 169 investigations of attempts to manipulate or corrupt IRS systems and operations, and 605 investigations into fraud and other related activities.

Current resources committed to addressing external security risks include four special agents working full-time and 35 special agents working part-time on domestic terrorism. The office also includes one intelligence analyst gathering information to protect against external threats. OI presently oversees security for the top 15 at-risk IRS locations, as identified by IRS Physical Security and Emergency Preparedness. Proactive measures in this area are critical to preventing breaches of security and deterring threats in future years.

Investigative work in these three core areas is imperative for protecting the integrity of tax administration. The results of this work help ensure that the public has confidence in its dealings with the IRS, thereby promoting voluntary compliance with Federal tax laws.

² 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.

Other Resources: TIGTA receives \$749,000 in offsetting collections and reimbursements to support activity related to the Inspector General Criminal Investigator Academy and other activity conducted on behalf of the Department of the Treasury.

3.2.2 – Investigations Budget and Performance Plan

Investigations Budget Activity						
Resource Level	FY 2006	FY 2007	FY 2008	FY 2009		FY 2010
	Obligated	Obligated	Obligated	ARRA	Enacted	Request
Appropriated Resources	\$82,686	\$83,427	\$89,161	\$1,400	\$90,897	\$92,711
Reimbursable Resources	\$711	\$627	\$727	\$0	\$400	\$749
Total Resources	\$83,397	\$84,054	\$89,888	\$1,400	\$91,297	\$93,460

Budget Activity Total	\$83,397	\$84,054	\$89,888	\$1,400	\$91,297	\$93,460
------------------------------	-----------------	-----------------	-----------------	----------------	-----------------	-----------------

Budget Activity	Performance Measure	FY 2006	FY 2007	FY 2008	FY 2009		FY 2010
		Actual	Actual	Actual	ARRA	Target	Target
Investigations	Percentage of results from investigative activities (%) (Oe)	79	81	78	78	78	78

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

Description of Performance: Examples of the types of results generated from investigative activities include: 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. As of September 30, 2008, actual performance has exceeded expectations (actual performance was 78 percent, while the target was 76 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

4A – Human Capital Strategy Description

TIGTA's human capital strategy is consistent with the goals, vision, and priorities of the Department. One of the major goals of the Department is to "be an organization that values its people." The objective associated with this goal is to "ensure a high-quality, diverse, and motivated workforce with the knowledge, skills, and abilities needed to produce quality products in an efficient and effective manner." To support this goal, TIGTA's performance management program differentiates levels of employee performance, incorporates TIGTA's strategic goals and objectives, and holds employees accountable for performance. During FY 2010, TIGTA will continue implementation of the updated Strategic Human Capital Plan developed during FY 2009.

Over the past ten years, TIGTA's employee population has declined 17%. Authorized FTE have declined from 1,000 in 1999 to a current level of 835. Vacancies brought on by retirements and other employee departures reduced FTE realized in FY 2008 to 784. One of the most significant human capital challenges facing TIGTA is the impending retirement tidal wave. Approximately 38 percent of all TIGTA employees will be retirement eligible by September 30, 2011. This is especially troubling since the skills required of our auditors, investigators, and systems specialists are highly specialized and require several years to develop to the journeyman level. A continued decline in personnel strength threatens TIGTA's overall ability to effectively fulfill its core mission.

If TIGTA is unable to fill retirees' vacated positions with skilled investigators, it will reduce TIGTA's enforcement capacity and circumscribe efforts to combat IRS employee misconduct and external threats to the security and integrity of IRS personnel and infrastructure. FTE attrition further reduces opportunities to examine high-risk areas and thereby reduces financial benefits from audit recommendations and impacts fewer taxpayer accounts. Unabated attrition would also require TIGTA to curtail, delay, and/or fail to initiate reviews of high-risk areas and/or eliminate entire programs. Succession planning efforts are aimed at addressing these potential risks to TIGTA's operations.

TIGTA must address critical staffing deficiencies in terms of having the right number of people with the right skills to accomplish its mission. Because of the IRS' modernization effort and its increasingly computerized operating systems and environment, TIGTA faces critical skill gaps. Auditors and criminal investigators with strong analytical skills and experience using business intelligence tools to identify fraud and other improprieties in IRS computer systems are needed.

To help address these challenges, TIGTA implemented in FY 2009 a bureau-wide electronic learning management system containing a skills assessment program that identifies the critical skills needed for each of TIGTA's major occupations and provides a means to assess resident skill levels. TIGTA will continue its strategic recruitment program to fill critical vacancies and align future hiring in geographic areas where most

of TIGTA's workload is located. Additionally, TIGTA will enhance its Senior Executive Service development program to grow future leaders within the organization.

While the nature and sensitivity of TIGTA's work limits the possible use of on-site contractors, most of the routine human resources, accounting, travel, and acquisitions work are outsourced to the Bureau of the Public Debt's Administrative Resource Center.

4.1 – Summary of IT Resources Table

Dollars in Thousands

Information Technology Investments	1/	FY 2007	FY 2008	FY 2009		FY 2010	
Major IT Investments / Funding Source	Budget Activity	& Earlier Enacted	Enacted	Budget Request	% Change from FY08 to FY09	Request	% Change from FY09 to FY10
2/							
Subtotal, Major IT Investments		N/A	N/A	N/A	N/A	N/A	N/A
Performance and Results Information System (PARIS)	TIGTA: Audit and Investigations Activity	\$1,000	\$1,000	\$1,000	0.0%	\$574	-42.6%
PARIS Property Module (PPM)	TIGTA: Audit and Investigations Activity	\$500	\$500	\$500	0.0%	\$149	-70.2%
Non-Major IT Investments	TIGTA: Audit and Investigations Activity	\$1,500	\$1,500	\$1,500	0.0%	\$723	-51.8%
TIGTA End User Systems and Services	TIGTA: Audit and Investigations Activity	\$2,450	\$8,000	\$8,293	3.7%	\$2,678	-67.7%
Telecommunications Systems and Services	TIGTA: Audit and Investigations Activity	\$1,329	\$3,100	\$3,300	6.5%	\$2,465	-25.3%
Data Center Systems and Services	TIGTA: Audit and Investigations Activity	\$267	\$1,000	\$1,000	0.0%	\$4,003	300.3%
IT Security	3/ Investigations Activity	\$0	\$750	\$0	-100.0%	\$0	0.0%
Infrastructure Investments	4/ TIGTA: Audit and Investigations Activity	\$4,046	\$12,850	\$12,593	-2.0%	\$9,146	-27.4%
Consolidated Enterprise Content Management	5/ TIGTA: Audit and Investigations Activity	\$0	\$0	\$129	0.0%	\$0	-100.0%
Consolidated Identity Management	5/ TIGTA: Audit and Investigations Activity	\$0	\$0	\$128	0.0%	\$0	-100.0%
Enterprise Architecture	TIGTA: Audit and Investigations Activity	\$250	\$250	\$250	0.0%	\$275	10.0%
Total IT Investments	TIGTA: Audit and Investigations Activity	\$5,796	\$14,600	\$14,600	0.0%	\$10,144	-30.5%

1/ This chart includes appropriated resources only, and may not reflect total project costs.

2/ This column reflects appropriated resources provided to a project in FY 2007 and any previous years.

3/ The \$750 thousand decrease reflects the impact of eliminating IT Security as a separate investment and reflecting those resources with End User and Telecommunication systems and services.

4/ The \$8.8 million increase in Infrastructure from FY 2007 to FY 2008 is due to the inclusion of TIGTA costs which were previously not reflected.

5/ The resources were realigned from End User systems and services to be reflected in the new Enterprise Content Management and Identity Management consolidated investments.

4B – Information Technology Strategy

The Office of Information Technology (OIT) provides a full suite of information technology products and services on behalf of TIGTA. All OIT activities are focused on providing effective and secure access to data sources that are critical to the successful completion of TIGTA's mission. OIT routinely works with auditors, investigators, and inspection and evaluation personnel, providing integrated support and/or data analysis services to foster the independence of TIGTA oversight and the integrity of its audit and investigative findings.

End User Systems and Services: OIT provides traditional end-user systems services for all TIGTA employees. This includes the provisioning of personal computers, productivity software, electronic mail and other local area network services, such as network storage for effective data backup and recovery. OIT end user systems and services are based on a standardized tool suite for internal TIGTA business operations. This tool suite is augmented to provide specialized software tools that permit auditors, investigators, and inspection and evaluation personnel to access and analyze data residing on a wide variety of IRS and other governmental information systems. OIT monitors these tools to ensure security and availability, and to determine when technology maintenance and refreshment activities are needed for effective protection of TIGTA-accessed data.

OIT provides TIGTA employees with enterprise collaboration tools that allow end users to form virtual work teams from any TIGTA office or broadband Internet connection. This collaboration capability will reduce travel costs over time and greatly enhances TIGTA's ability to function throughout a widespread disaster event.

Telecommunications Systems and Services: OIT supports a Wide Area Network (WAN) with access points throughout the continental United States, Hawaii, and Puerto Rico in direct support of a geographically distributed audit, investigative, and inspection and evaluation workforce. The WAN provides adequate bandwidth for internal and external data transmissions while providing secure access to TIGTA resources, and other governmental computer networks and entities. For example, the WAN provides a secure interconnection between TIGTA and the IRS that is used for electronic data exchange as well as for cost-effective access to IRS information systems. The WAN also enables secure, remote access from alternative work locations, supporting an award-winning telework program. TIGTA also operates a Land Mobile Radio (LMR) system that permits investigators to safely conduct field operations with reliable wireless communication devices.

Data Center Systems and Services: OIT operates information systems at various offices. In accordance with the OIT Strategic Plan and continuing cost containment measures, OIT is consolidating information technology services, where feasible, into data center facilities. The consolidation effort is designed to increase information system and resource utilization, and eliminate unneeded redundancies while improving TIGTA's ability to support core audit and investigative activities. As part of a TIGTA data center,

OIT provides extensive data analysis services in direct support of audit and investigative activities. For example, these services permit TIGTA to meet its responsibilities under the *Taxpayer Browsing Protection Act of 1997*. Specifically, the services are designed to analyze large volumes of data so that potential UNAX violations may be identified.

Information Security Services: OIT provides *Financial Information Systems Management Act* (FISMA) support services to TIGTA. This support comes in three areas. The first support area is Information Integrity. OIT provides guidance on security controls and processes to help maintain the confidentiality, availability, and accuracy of its business information. The second support area is Insurance and Assurance which addresses information risk management. This area provides TIGTA with information on the risk factors it is facing with its information systems. This helps TIGTA in making decisions on accepting, avoiding, or mitigating assessed risks around its information systems. The third support area is Regulatory Compliance. OIT provides TIGTA support in interpreting guidance from regulatory sources and reporting TIGTA's compliance in meeting FISMA requirements.

Enterprise Architecture: TIGTA operates several programs to comply with various legislative mandates and to improve the reliability, availability, and effectiveness of its information technology. TIGTA's enterprise architecture initiative responds to the Clinger-Cohen Act's requirement to align business practices with technology needs. By doing so, enterprise architecture will provide for better decision-making ability on information technology investment and related resource allocation decisions.

Identity Management: Although OIT prides itself on delivering a full set of IT support and services to TIGTA auditors and investigators, some administrative applications and services are better delivered at departmental and governmental levels. To support future authentication demands of those applications, TIGTA intends to manage the TIGTA aspect of identity management in concert with the IRS, the Department and the Federal government. TIGTA currently maintains the production of its own non-Homeland Security Presidential Directive-12 (HSPD-12) credentials using HSPD-12 processes and procedures and will migrate to departmental HSPD-12 solutions as they become available. In accordance with Department guidance, TIGTA HSPD-12 costs are reported to IRS for inclusion in a consolidated departmental investment.

Enterprise Content Management: TIGTA continues to use Microsoft SharePoint as an internal content delivery service to our auditors, investigators, and inspection and evaluation personnel. There are a number of other applications TIGTA uses that contain Enterprise Content Management (ECM) functionality, but the functionality is minor to the business processes the applications serve. As a result, these investments are not included in TIGTA ECM, but remain with their associated IT infrastructure. As the Department ECM initiative presents opportunities, TIGTA will evaluate transition to those document, record, content and tracking, and workflow management functions.

Non-Major Investments: OIT maintains two internal management information systems classified as non-major investments under Capital Planning and Investment Control

guidelines. The Performance and Results Information System (PARIS) supports investigative compliance with the *Government Performance and Results Act (GPRA)*. The system facilitates GPRA compliance by collecting data needed to measure performance of investigative activities, specifically as it pertains to complaint management and investigating cases. The PARIS Property Module (PPM) is a custodial accounting system used to support the bureau's Personal Property Management Program. PPM is used to track capitalized and expensed assets used in support of audit and investigative activities and to track assets seized during law enforcement actions.

4.2 – Program Assessment Table

Not applicable to TIGTA.

For a complete list of program results visit the following website:

<http://www.whitehouse.gov/omb/expectmore/all.html>