

# Treasury Inspector General for Tax Administration

---

## 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 2009		FY 2010	FY 2011		
	ARRA	Enacted	Enacted	Request	\$ Change	% Change
Audit	\$5,600	\$55,186	\$57,421	\$58,725	\$1,304	2.3%
Investigations	\$1,400	\$90,897	\$94,579	\$96,727	\$2,148	2.3%
<b>Total Appropriated Resources</b>	<b>\$7,000</b>	<b>\$146,083</b>	<b>\$152,000</b>	<b>\$155,452</b>	<b>\$3,452</b>	<b>2.3%</b>
<b>Total FTE</b>	-	835	835	835	-	-

## FY 2011 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;
- 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, 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).

## Table of Contents

<b>Treasury Inspector General for Tax Administration</b> .....	<b>1</b>
<b>Section 1 – Purpose</b> .....	<b>3</b>
1A – Description of Bureau Vision and Priorities .....	3
1B – Program History and Future Outlook.....	4
<b>Section 2 – Budget Adjustments and Appropriation Language</b> .....	<b>9</b>
2.1 – Budget Adjustments Table.....	9
2A – Budget Increases and Decreases Description .....	9
2.2 – Operating Levels Table.....	11
2.3 – Appropriations Detail Table .....	12
2B – Appropriations Language and Explanation of Changes.....	12
2C – Legislative Proposals .....	13
<b>Section 3 – Budget and Performance Plan</b> .....	<b>14</b>
3.1 – Budget by Strategic Outcome .....	14
3.2.1 – Audit Budget and Performance Plan .....	18
3.2.2 – Investigations Budget and Performance Plan .....	21
<b>Section 4 – Supporting Materials</b> .....	<b>22</b>
4A – Human Capital Strategy Description .....	22
4.1 – Summary of IT Resources Table .....	25
4B – Information Technology Strategy .....	26
4.2 – Program Evaluation .....	28

## **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 work is devoted to all aspects of activity related to the federal tax system as administered by the IRS. As one of 69 federal offices of Inspectors 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, 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 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 2011 budget request of \$155,452,000 is an increase of 2.3 percent above the FY 2010 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 in domestic and international operations;
- 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, 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).

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.

TIGTA's commitment to valuing its people was recognized in the Partnership for Public Service's 2009 Best Places to Work Rankings. TIGTA placed 14 out of 216 in the overall index score measuring the performance of agency subcomponents related to employee satisfaction and commitment. For TIGTA this was a 4.1 percent positive change over the 2007 score. This ranking is based on Office of Personnel Management's (OPM) biennial Federal Human Capital Survey which federal agencies use as benchmarks to measure their performance.

In FY 2011, TIGTA faces the challenge of adapting its oversight activities to address increasingly complex and high-risk issues associated with IRS operations. This is particularly true in adapting to the renewed focus of the IRS to close the international tax gap. 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 requesting IRS program reviews from 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 2011:

- The aggregate budget request for the operations of TIGTA is \$155,452,000;
- The portion of this amount needed for TIGTA training is \$2,572,000; and
- The portion of this amount needed to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$332,000.

The amount requested for training satisfies all TIGTA training needs for fiscal year 2011.

## **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 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 addition to those efforts, TIGTA managers and employees were significantly involved in assisting in the standup of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). During the organization stage of SIGTARP's stand-up, TIGTA managers and technical experts "stood in" for as-yet-to-be-hired SIGTARP employees. Using TIGTA's electronic meeting expertise and proven multi-location processes, TIGTA managers were able to carry out the duties of SIGTARP managers and facilitate policy and organizational decisions and screening and hiring of key SIGTARP employees. As these permanent employees were brought on board, TIGTA personnel helped them to come up to speed rapidly.

The passage of the American Recovery and Reinvestment Act of 2009 (Recovery Act) provided funding for the additional workload that will arise from overseeing IRS efforts to implement a variety of economic stimulus measures. A key component of the Recovery Act is 56 tax provisions to be implemented by the IRS, 20 individual taxpayer provisions and 36 business taxpayer provisions; most tax provisions became effective in FY 2010. Through a comprehensive risk assessment, TIGTA identified 6 tax provisions for immediate audit in FY 2009 and an additional 21 audits and 1 inspection for FY 2010. Ten high risk areas have been identified for additional scrutiny; 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 get interim reports published more quickly and available to the public on our website and Recovery.gov; successful Recovery coordination changes will have positive long-term impact on traditional audits and inspection timelines. Recent audits have received significant attention from the IRS, Congress, and the public: First-Time Homebuyers Credit raised issues with how IRS implemented filters to prevent potential abuse. Upcoming reports will look at Making Work Pay Tax Credit, efforts to ensure proper use of Recovery funds, and health coverage tax credit payment processing.

Because TIGTA is charged with overseeing the IRS, increasing the size and workload of the IRS generates additional work for TIGTA. Just as the IRS will need additional agents and specialists to accomplish their work, TIGTA will use the FY 2011 program increase to enhance critical oversight responsibilities. In many cases, the skills which will be required are distinctly different from those required to carry out TIGTA's current domestically-focused activities.

The President has announced proposals to address illegal overseas tax evasion, closing loopholes, and make it more profitable for companies to create jobs in the United States. Proposed legislative actions include requiring overseas banks to report income earned by Americans in the same fashion that American banks are required to report income for their clients. The FY 2011 budget will allow TIGTA to increase its responsibilities in

overseeing the IRS as it expands its international taxation work. Without the additional resources, TIGTA must reduce oversight of domestic programs as there are no resources which can be redirected to meet these new challenges.

TIGTA continues to provide comprehensive coverage and oversight of all aspects of the IRS's operations. In FY 2009, TIGTA's overall accomplishments included:

***Ensuring Taxpayer Privacy and Security:*** Each year, millions of taxpayers entrust the IRS with sensitive financial and personal data that is stored in and processed by IRS information technology 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 related to increased phishing scams and hacker activity) contribute to these risks. In FY 2009, the Office of Audit (OA) issued reports addressing business continuity efforts and system access control weaknesses.

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 fines and prison terms, if convicted, and loss of their job. Since enactment of the *Taxpayer Browsing Protection Act* in August 1998, TIGTA investigations have resulted in more than 5,500 adverse personnel actions taken by the IRS and 211 criminal prosecutions for UNAX violations through September 2009.

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 forensic investigations can be conducted, and ensuring the IRS expands its automated capability to proactively detect unauthorized accesses on all computer systems. During FY 2009, TIGTA investigators completed 1,767 employee integrity investigations, of which 502 were UNAX investigations. These resulted in 32 criminal prosecutions and 1,179 administrative disciplinary actions against IRS employees.

***Tax Compliance:*** Tax compliance initiatives include administering tax regulations, collecting the correct amount of tax for businesses and individuals, and overseeing tax-exempt and government entities for compliance. Increasing voluntary compliance and reducing the tax gap (the tax gap is the difference between the amount of tax that taxpayers should pay and the amount that is paid voluntarily and on time) are currently the focus of IRS initiatives. Nevertheless, the IRS is facing significant challenges in obtaining more complete and timely data, as well as developing the methods necessary for interpreting the data. The IRS must continue to seek accurate measures for the various components of the tax gap and the effectiveness of the actions taken to reduce it. In FY 2009, an OA issued report addressed a segment of the tax gap that includes the misclassification of employees as independent contractors.

TIGTA continues its outreach efforts to IRS employees and the tax practitioner community. TIGTA reached out to all facets of the IRS workforce and the tax professional community. By doing so, TIGTA developed relationships with these groups to assist in identifying crimes against the IRS and taxpayers. From October 2008 through September 2009, TIGTA provided 2,142 presentations to more than 69,000 IRS employees and educated tax professionals by providing 70 awareness presentations to 6,690 tax practitioners and preparers.

***Advising Congress:*** During FY 2009, TIGTA provided one Congressional testimony, 24 briefings, two Statements for the Record, and two official 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 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 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.

***Erroneous and Improper Payments:*** As defined by the Improper Payments Information Act of 2002 (P.L. 107-300, 116 Stat. 2350), an improper payment is any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts. For the IRS, improper and erroneous payments generally involve improperly paid refunds,

tax return filing fraud, or overpayments to vendors or contractors. In FY 2009, OA issued reports addressing erroneous payments in the Earned Income Tax Credit Program and the issuance of false economic stimulus payments.

***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 as the federal government's main revenue stream is stymied.

***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. Between October 1, 2008, and September 30, 2009, TIGTA issued 142 reports identifying approximately \$14.7 billion in potential financial benefits. These reports also impacted approximately 23 million taxpayer accounts in areas such as taxpayer burden, rights and entitlements, protection of resources/reliability of information, and increased revenue/revenue protected. These audits could return \$101 for each \$1 invested in FY 2009.

***Investigative Outcomes:*** TIGTA's Office of Investigations investigates threats to America's tax system, which could impede collection of tax revenue and taint public confidence. Between October 1, 2008, and September 30, 2009, 83 percent of TIGTA's closed investigations generated results, including 1,427 cases of employee misconduct referred to the IRS for administrative action and 171 cases accepted for prosecution. Even though the IRS is still committed to "stopping UNAX in its tracks," unauthorized access to confidential tax information remains a significant problem. During the same period, TIGTA closed 419 UNAX cases, resulting in 401 adverse personnel actions against IRS employees. Altogether, 116 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 American Recovery and Reinvestment Act of 2009 (Recovery Act) activities. Additionally, I&E has reported on several pertinent issues including on-site security inspections of Taxpayer Assistance Centers and a study of the tax gap that focuses on off-shore and international transactions. 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>
FY 2010 Enacted	835	152,000
Changes to Base:		
Maintaining Current Levels (MCLs):	-	\$2,942
FERS % Change	-	46
Non-pay Inflation Adjustment	-	343
Pay Annualization	-	636
Pay Inflation Adjustment	-	1,917
Efficiencies Savings:	-	(\$276)
Procurement Savings	-	(276)
Subtotal FY 2011 Changes to Base	-	\$2,666
<b>Total FY 2011 Base</b>	<b>835</b>	<b>154,666</b>
Program Changes:		
Program Increases:	-	\$786
CIGIE Fees	-	332
Increase Related to IRS Growth	-	454
Subtotal FY 2011 Program Changes	-	\$786
<b>Total FY 2011 Budget Request</b>	<b>835</b>	<b>155,452</b>

### 2A – Budget Increases and Decreases Description

**Maintaining Current Levels (MCLs) ..... +\$2,942,000 / +0 FTE**

FERS % Change +\$46,000 / +0 FTE

Funds are requested for the increase in agency retirement contribution percentages for GS employees from 11.2% to 11.5% for FY 2011 as required by OPM.

Non-pay Inflation Adjustment +\$343,000 / +0 FTE

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

Pay Annualization +\$636,000 / +0 FTE

Funds are requested for the FY 2011 cost of the January 2010 pay raise.

Pay Inflation Adjustment +\$1,917,000 / +0 FTE

Funds are requested for the January 2011 pay raise.

**Efficiencies Savings ..... -\$276,000 / +0 FTE**

Procurement Savings -\$276,000 / +0 FTE

TIGTA continues to work with procurement staff and vendors to identify procurement savings without compromising program quality.

**Program Increases ..... +\$786,000 / +0 FTE**

CIGIE Fees +\$332,000 / +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.

*Increase Related to IRS Growth +\$454,000 / +0 FTE*

Since TIGTA is charged with overseeing the IRS, increasing the size and workload of the IRS generates additional work for TIGTA. Just as the IRS will need additional agents and specialists to accomplish their work, TIGTA will use the FY 2011 program increase to enhance critical oversight responsibilities. In addition, the Administration is placing a renewed emphasis on addressing illegal overseas tax evasion and closing tax loopholes and make it more profitable for companies to create jobs in the United States. The \$454,000 program increase would help fund this effort.

## 2.2 – Operating Levels Table

Inspector General for Tax Administration								
FTE	0	835	835	0	835	0	835	835
Object Classification:								
11.1 - Full-time permanent	4,501	78,314	80,624	1,929	82,553	0	82,553	84,496
11.3 - Other than full-time permanent	0	576	593	0	593	0	593	621
11.5 - Other personnel compensation	497	9,131	9,443	213	9,656	0	9,656	9,897
12 - Personnel benefits	1,603	26,298	27,109	687	27,796	0	27,796	28,411
21 - Travel and transportation of persons	301	4,834	4,694	129	4,823	0	4,823	4,860
22 - Transportation of things	0	24	24	0	24	0	24	24
23.1 - Rental payments to GSA	0	8,952	9,143	0	9,143	0	9,143	9,770
23.2 - Rental payments to others	0	288	288	0	288	0	288	292
23.3 - Comm, utilities, and misc charges	0	2,570	2,570	0	2,570	0	2,570	2,533
24 - Printing and reproduction	0	8	8	0	8	0	8	8
25.1 - Advisory and assistance services	0	1,175	1,135	0	1,135	0	1,135	1,119
25.2 - Other services	0	986	921	0	921	0	921	908
25.3 - Other purchases of goods and services from Govt. accounts	0	7,042	6,710	0	6,710	0	6,710	6,613
25.4 - Operation and maintenance of facilities	0	407	407	0	407	0	407	413
25.7 - Operation and maintenance of equip	0	1,277	1,232	0	1,232	0	1,232	1,249
26 - Supplies and materials	98	1,193	1,164	42	1,206	0	1,206	1,200
31 - Equipment	0	2,805	2,732	0	2,732	0	2,732	2,832
42 - Insurance claims and indemnities	0	150	150	0	150	0	150	152
91.0 - Confidential Expenditures	0	53	53	0	53	0	53	54
<b>Total Budget Authority</b>	<b>\$7,000</b>	<b>\$146,083</b>	<b>\$149,000</b>	<b>\$3,000</b>	<b>\$152,000</b>	<b>\$0</b>	<b>\$152,000</b>	<b>\$155,452</b>
Budget Activities:								
Audit	5,600	55,186	56,289	1,133	57,421	0	57,421	58,725
Investigations	1,400	90,897	92,711	1,867	94,579	0	94,579	96,727
<b>Total Budget Authority</b>	<b>\$7,000</b>	<b>\$146,083</b>	<b>\$149,000</b>	<b>\$3,000</b>	<b>\$152,000</b>	<b>\$0</b>	<b>\$152,000</b>	<b>\$155,452</b>

## 2.3 – Appropriations Detail Table

Dollars in Thousands

Resources Available for Obligation	FY 2009		FY 2009		FY 2010		FY 2011		% Change	
	ARRA		Enacted		Enacted		Request		FY 2010	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>										
Audit	0	\$5,600	349	\$55,186	349	\$57,421	349	\$58,725	0.00%	2.27%
Investigations	0	1,400	486	90,897	486	94,579	486	96,727	0.00%	2.27%
<b>Subtotal New Appropriated Resources</b>	<b>0</b>	<b>\$7,000</b>	<b>835</b>	<b>\$146,083</b>	<b>835</b>	<b>\$152,000</b>	<b>835</b>	<b>\$155,452</b>	<b>0.00%</b>	<b>2.27%</b>
<b>Other Resources:</b>										
Offsetting Collections - Reimbursable	0	0	3	900	3	1,300	3	1,300	0.00%	0.00%
<b>Subtotal Other Resources</b>	<b>0</b>	<b>\$0</b>	<b>3</b>	<b>\$900</b>	<b>3</b>	<b>\$1,300</b>	<b>3</b>	<b>\$1,300</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total Resources Available for Obligation</b>	<b>0</b>	<b>\$7,000</b>	<b>838</b>	<b>\$146,983</b>	<b>838</b>	<b>\$153,300</b>	<b>838</b>	<b>\$156,752</b>	<b>0.00%</b>	<b>2.25%</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>For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, <i>as amended</i>, 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; [\$152,000,000] \$155,452,000, 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[; and of which not to exceed \$1,500 shall be available for official reception and representation expenses].</p>	

**2C – Legislative Proposals**

TIGTA does not have any legislative proposals for FY 2011.

## Section 3 – Budget and Performance Plan

---

This table lists all FY 2011 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 2010 Enacted	FY 2011 Request	Percent Change
Accountability & trans	153,300	156,752	2.25%
<b>Total</b>	<b>\$153,300</b>	<b>\$156,752</b>	<b>2.25%</b>

**3A – Audit** (\$58,725,000 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 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 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.

Between October 1, 2008 and September 30, 2009, TIGTA issued 142 audit reports that included potential financial benefits of approximately \$14.7 billion and potentially impacted approximately 23 million taxpayer accounts in areas such as taxpayer burden, rights and entitlements, protection of resources/reliability of information, and increased revenue/revenue protected.

*American Recovery and Reinvestment Act of 2009 (Recovery Act):* The American Recovery and Reinvestment Act of 2009 is an unprecedented effort to jumpstart the American economy, create or save millions of jobs, and put a down payment on addressing challenges the country faces. The Recovery Act includes multiple tax law provisions the IRS must implement. OA identified necessary adjustments to ongoing audits along with new audits that must be started in order to ensure that adequate coverage is provided to ensure effectiveness of the IRS’s efforts to implement tax

provisions. OA will also continue to provide oversight to IRS's Recovery Act implementation through 2013.

Congress proposed \$13.6 billion for the First-Time Homebuyer Credit (Credit) in the Housing and Economic Recovery Act of 2008. The Joint Committee on Taxation estimated that more than \$4.3 billion more would be paid to first-time homebuyers in FYs 2009 and 2010 as a result of the revisions in the Recovery Act. TIGTA auditors found that certain key controls preventing individuals from erroneously claiming the Credit were missing. Despite previous TIGTA recommendations, the IRS did not require taxpayers to provide documentation to substantiate the purchase of a home. TIGTA also identified approximately 48,500 taxpayers who may not have been aware of the changes to the Credit included in the Recovery Act and did not claim the full amount to which they were entitled. TIGTA recommended that the IRS develop a plan to address questionable claims for the Credit. The IRS agreed with the recommendation.

*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.

Of the \$345 billion tax gap, about \$54 billion (16 percent) is attributable to underreported employment taxes. One aspect of underreported employment taxes is the misclassification of employees as independent contractors, a nationwide issue affecting millions of workers that continues to grow and contribute to the tax gap. TIGTA auditors found that the IRS does not have an agency-wide employment tax program to coordinate the decision-making process and efforts among its business divisions. The limited data available indicates that the worker classification issue is growing significantly. When an employee is misclassified, tax revenues are not reported or paid and the burden of uncollected taxes shifts to other taxpayers. TIGTA recommended that the IRS develop and implement an agency-wide employment tax program to address the issue of worker classification to improve coordination among the business divisions, improve compliance, and reduce the tax gap. TIGTA also recommended that the IRS consider conducting a formal National Research Program compliance study to measure the impact of worker misclassification on the employment tax gap. IRS agreed with the recommendations.

An evolving area of the tax gap is the international tax gap. However, TIGTA found that the IRS has not developed an accurate and reliable estimate of the international tax gap. Non-IRS estimates of the international tax gap range from \$40 billion to \$123 billion. TIGTA concluded that it is doubtful the IRS's tax gap estimate includes the entire international tax gap primarily because identifying hidden income within international activity is very difficult and time-consuming. Recent legislative proposals by both the Administration and Congress could raise an additional \$210 billion from international transactions within the next 10 years. In addition, TIGTA found that the IRS has no plans to comprehensively measure the international tax gap with a national research

project effort due to cost, staffing, and technical limitations. Consequently, there is less certainty that international tax compliance resources are efficiently allocated to address noncompliance.

*Security of the Internal Revenue Service:* The Modernized e-File (MeF) system is an IRS system that will provide a single method for filing all IRS tax returns, information returns, forms, and schedules via the Internet. The Modernized Tax Return Database (M-TRDB), a component of the MeF system, is the authoritative store of accepted returns and extensions submitted through the MeF system. TIGTA found that security weaknesses in the controls over system access, monitoring of system access, and disaster recovery have continued to exist even though key phases of the MeF system and the M-TRDB have been deployed. As a result, the IRS is jeopardizing the confidentiality, integrity, and availability of an increasing volume of tax information for millions of taxpayers as application phases are put into operation. TIGTA recommended that the IRS consider all security vulnerabilities that affect the overall security of the MeF system and the M-TRDB before approving milestone exits; provide more emphasis to the MeF project office to both prevent and resolve security vulnerabilities identified during Enterprise Life Cycle processes; and approve interim authorities to operate when significant security control weaknesses exist in system environments. IRS management agreed with the recommendations and has planned corrective actions. However, the corrective actions were focused on continuing to follow or strengthening existing processes. TIGTA believes that the security vulnerabilities were not caused by process deficiencies. Instead, IRS personnel did not fulfill their responsibilities for correcting security vulnerabilities before deployment.

The IRS's ability to protect its employees and provide taxpayer services during and after a major disruption is dependent on the effective preparation of four integrated plans called the Business Continuity "Suite of Plans." However, many of the plans TIGTA reviewed were not up to date, had not been adequately tested, and did not contain sufficient detail to be effective. These deficiencies could affect the IRS's ability to process 235 million tax returns, issue \$295 billion in refunds, and collect over \$2 trillion in revenue each year. TIGTA recommended that the IRS appoint an executive with cross-organizational authority to oversee the IRS business continuity program and serve as the chairperson of the Emergency Management and Preparedness Executive Steering Committee. TIGTA also recommended that the IRS require the executive responsible for business continuity planning to monitor and ensure that comprehensive testing is conducted and documented for all business continuity plans, and consider testing business continuity plans concurrently as opposed to testing the plans separately. IRS agreed with the recommendations.

*Processing Returns and Implementing Tax Law Changes during the Tax Filing Season:* Each filing season tests the IRS's ability to implement tax law changes made by Congress. It is during the filing season that most individuals file their income tax returns and call the IRS with questions about specific tax laws or filing procedures. Correctly implementing 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 the computer systems used for processing returns. Changes to the tax laws have a major effect on how the IRS conducts its activities, what resources are required, and how much progress can be made on strategic goals. Congress frequently changes the tax laws; thus, some level of change is a normal part of the IRS environment. However, certain types of changes can significantly affect the IRS in terms of the quality and effectiveness of its service and in how taxpayers perceive the IRS.

The IRS issues Individual Taxpayer Identification Numbers (ITIN) to provide a unique number for individuals who are not eligible for a Social Security Number (SSN). The ITINs help these individuals comply with the tax laws and provide a means to efficiently process and account for tax returns. Improvements to the ITIN Program are needed to ensure that it is meeting its intent and that refundable credit claims are verified. TIGTA made a legislative recommendation to clarify whether refundable tax credits such as the Additional Child Tax Credit may be paid to filers without an SSN and, if these credits may not be paid, to provide the IRS math error authority to disallow associated claims for the credits. Disallowance of the Additional Child Tax Credit to filers without an SSN would reduce federal outlays by \$8.9 billion over five years. TIGTA also recommended that the IRS develop processes to identify individuals who are improperly using ITINs for work purposes and develop outreach efforts with the Social Security Administration to address the improper use, limit the automatic population feature for ITIN tax returns, and ensure that accurate tax information is input into IRS systems from both paper and electronically filed ITIN tax returns. IRS agreed to continue to work with software companies to limit the auto-populate feature and also agreed to work with the Department of the Treasury's Office of Tax Policy to consider legislation to limit claims for the Additional Child Tax Credit to taxpayers with an SSN. However, the IRS disagreed with the other recommendations. TIGTA does not believe that IRS provided adequate justification for the disagreed recommendations.

More than half of all tax returns filed are prepared by paid preparers. However, the IRS cannot determine the population of preparers or if the preparers are compliant with their own tax obligations as well as all tax laws and regulations. Tax return preparers have a significant effect on taxpayer compliance. A unique identifying number to control each preparer and an effective management information system are necessary for the IRS to facilitate tax administration and provide effective oversight of preparers. TIGTA recommended that the IRS establish a requirement that paid preparers be compliant with their own federal tax filing obligations in order to be allowed to prepare tax returns for others for a fee, revise the target completion date for its study on requiring preparers to use a single identification number when filing tax returns, and develop a method to enforce I.R.C. Section 6695(c), which imposes a penalty on preparers who do not provide an identification number on tax returns they prepare. The IRS agreed with the recommendations and believes some of the recommendations will be addressed by the Commissioner's Tax Return Preparer Review team as well as a guidance project being conducted in coordination with the Department of the Treasury.

*Erroneous and Improper Payments:* The fraud exposure to IRS programs and operations is tremendous. The IRS collects over \$2 trillion annually from taxpayers who entrust the IRS with sensitive financial and personal data every year.

OA continues its oversight of IRS programs susceptible to erroneous or improper payments. OA reported that the IRS successfully developed a number of processes to identify erroneous Earned Income Tax Credit (EITC) payments prior to issuance. However, because compliance resources are limited and alternatives to traditional compliance methods have not been developed, the majority of the potentially erroneous EITC claims identified continue to be paid in error. The IRS reports \$10 billion to \$12 billion annually in erroneous EITC payments. TIGTA recommended that the IRS conduct a study to identify alternative processes that will expand the IRS's ability to effectively and efficiently identify and adjust erroneous EITC claims for which data show that the taxpayer does not meet EITC requirements. TIGTA also recommended that the IRS work with Treasury's Assistant Secretary for Tax Policy to obtain the authority necessary to implement alternative processes to adjust erroneous EITC claims. IRS agreed with the recommendations.

The IRS issues millions of refunds worth billions of dollars to taxpayers each year through its automated and manual systems. The IRS's inability to promptly resolve some accounts with a large dollar refund freeze (a freeze of a taxpayer's account that has a filed tax return and a credit balance of \$10 million or more) can adversely affect taxpayers who may need the refunds to help meet their financial obligations. These delayed actions may also negatively impact the IRS's mission of providing top-quality customer service, in addition to costing the federal government millions of dollars in additional interest. TIGTA recommended that the IRS coordinate with its appropriate functional areas and follow through with implementing the prior recommendations including to properly implement computer system modifications to provide alerts to review large dollar frozen taxpayer accounts for credits that can be released, to systemically release the freeze on accounts when credits fall below the large dollar refund freeze threshold, and to ensure procedures for processing large dollar frozen refunds adequately address common issues that arise. The IRS agreed with the recommendations.

### 3.2.1 – Audit Budget and Performance Plan

Audit Budget Activity						
Resource Level	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Obligated	Obligated	ARRA	Obligated	Enacted	Request
Appropriated Resources	\$49,087	\$50,852	\$5,600	\$53,797	\$57,421	\$58,725
Reimbursable Resources	\$300	\$539	\$0	\$361	\$551	\$551
<b>Total Resources</b>	<b>\$49,387</b>	<b>\$51,391</b>	<b>\$5,600</b>	<b>\$54,158</b>	<b>\$57,972</b>	<b>\$59,276</b>
<b>Budget Activity Total</b>	<b>\$49,387</b>	<b>\$51,391</b>	<b>\$5,600</b>	<b>\$54,158</b>	<b>\$57,972</b>	<b>\$59,276</b>

Audit Budget Activity						
Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Actual	ARRA	Target	Target
Percentage of Audit Products Delivered When Promised to Stakeholders (Oe)	68	65	81		65	65
Percentage of Recommendations Made That Have Been Implemented (Oe)	90	85	91		83	83

Key: Oe - Outcome Measure, E - Efficiency Measure, and Ot - Output/Workload Measure

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'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 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** (\$96,727,000 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:* IRS employee misconduct can hinder the IRS's ability to collect revenue for the federal government. Fifty percent of TIGTA's current investigations involve alleged employee misconduct. In addition to UNAX investigations, employee misconduct investigations include allegations of extortion, theft, false statements, and financial fraud. TIGTA also administers a proactive integrity program to help detect IRS employees who might be committing fraud and other misconduct. From October 1, 2008 to September 30, 2009, TIGTA initiated 41 proactive investigative initiatives.

*Employee and Infrastructure Security:* Congressional concern regarding the magnitude of uncollected revenue has prompted the IRS to intensify enforcement activities. Heightened enforcement is likely to cause a rise in external threats to IRS employees and infrastructure. Both TIGTA's proactive and reactive investigations are critical to mitigating future risks. TIGTA maintains IRS employee and infrastructure security by conducting investigations into incidents that threaten IRS employees, facilities, and infrastructure. TIGTA's highest priority complaints involve threats and assaults against

IRS employees. TIGTA works aggressively and takes swift action to protect IRS employees, 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 FBI 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. From October 2008 through September 2009, Office of Investigations (OI) closed 331 investigations of assaults and/or threats made against IRS employees and facilities.

*External Attempts to Corrupt Tax Administration:* TIGTA is statutorily mandated to investigate external attempts to corrupt tax administration, which includes criminal misconduct by non-employees, such as, impersonation of IRS employees, interference with the administration of internal revenue laws, bribery, misuse of Treasury names, symbols, etc., contract fraud, and tax practitioner fraud relating to thefts of taxpayer remittances and refunds.

In FY 2011, OI foresees continued risks in IRS programs that will require more oversight. Of great interest and risk are phishing scams that falsely depict e-mails from the IRS. (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.) Such schemes attempt to retrieve a user's 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 7,953 phishing sites since November 2005 through September 2009. 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 2009, OI conducted 37 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 nearly \$62 million in recovered penalties from October 2008 to September 2009.

Investigative work in these three core areas is imperative to protecting 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 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Obligated	Obligated	ARRA	Obligated	Enacted	Request
Appropriated Resources	\$83,427	\$89,161	\$1,400	\$91,979	\$94,579	\$96,727
Reimbursable Resources	\$627	\$727	\$0	\$582	\$749	\$749
<b>Total Resources</b>	<b>\$84,054</b>	<b>\$89,888</b>	<b>\$1,400</b>	<b>\$92,561</b>	<b>\$95,328</b>	<b>\$97,476</b>

<b>Budget Activity Total</b>	<b>\$84,054</b>	<b>\$89,888</b>	<b>\$1,400</b>	<b>\$92,561</b>	<b>\$95,328</b>	<b>\$97,476</b>
------------------------------	-----------------	-----------------	----------------	-----------------	-----------------	-----------------

Investigations Budget Activity						
Measure	FY 2007	FY 2008	FY 2009		FY 2010	FY 2011
	Actual	Actual	Actual	ARRA	Target	Target
Percentage of Results from Investigative Activities (Oe)	81	78	83		79	79

Key: Oe - Outcome Measure, E - Efficiency Measure, and Ot - Output/Workload Measure

Description of Performance: 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. As of September 30, 2009, actual performance has exceeded expectations (actual performance was 83 percent, while the target was 78 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://treas.gov/offices/management/budget/>

## **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 of the Treasury is “management and organizational excellence.” In alignment with this strategy, one of TIGTA’s major goals in assuring effective management and organizational excellence 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 has three major Human Capital initiatives for FY 2009 through FY 2011:

*TIGTA’s Recruitment Advisory Council:* This council will be responsible for implementing and maintaining a corporate-wide recruitment strategy that includes programs within TIGTA that will attract, acquire, develop, promote and retain quality talent.

*TIGTA’s Performance Management Working Group:* This working group will be leading the effort in developing a results-oriented performance culture system for TIGTA that continues to focus on having a diverse, results-oriented, high-performing workforce, as well as a strategically aligned performance management system that effectively plans, monitors, develops, rates, and rewards employee performance.

*Corporate Supervisory and Leadership Development Program:* TIGTA will be developing a corporate supervisory and leadership development program that focuses on identifying and addressing leadership competencies so that continuity of leadership is ensured, knowledge is shared across the organization, and an environment of continuous learning is present.

Over the past ten years, TIGTA’s employee population has declined 17 percent. 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 2009 to 797. One of the most significant human capital challenges facing TIGTA is the ongoing retirement tidal wave. Approximately 34 percent of all TIGTA employees will be retirement eligible by September 30, 2013. This is especially troubling since the skills required of TIGTA’s auditors, investigators, information technologists, 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, specifically, electronic crimes. FTE attrition further reduces opportunities

to examine high-risk areas and thereby can reduce financial benefits from audit recommendations and impact fewer taxpayer accounts. Succession planning efforts are aimed at addressing these potential risks to TIGTA's operations.

With the exiting of retirees, the influx of new staff has required OA to dedicate a significant portion of its budget to orient the new hires to the audit process and OA requirements, as well as enhance or develop their overall skills/competencies. In order to continue to deliver the high quality audit products we strive to produce, it is important for TIGTA to continue training opportunities for the entire audit staff.

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's 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.

TIGTA implemented the Treasury Learning Management System (TLMS) during FY 2008 with final rollout during FY 2009. With full deployment to its employees, TIGTA plans to use the competency assessment functionality portion of the TLMS to identify any skill gaps. Currently, this module is not turned on; however, Treasury, in partnership with all the bureaus, is working towards making this module available. In addition, the bureaus are looking into purchasing a competency module that has more capabilities that not only identifies skills gaps but builds individual development plans. Implementing the competency assessment module will greatly assist TIGTA in its succession planning efforts. Succession planning will help ensure the stability of tenure of personnel by providing provisions for the development, replacement, and strategic application of key people over time. Early identification of employees with strong leadership potential, combined with a range of leadership development programs, will deepen the leadership bench strength within TIGTA, and assists tomorrow's promising leaders with career planning. 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 continue to enhance its Senior Executive Service (SES) development program to grow future leaders within the organization.

Additionally, TIGTA needs to expand the breadth of the product lines beyond the current statutory and high-risk performance audit focus in order to more fully assess risks in the tax administration system. To enhance TIGTA's ability to deliver its mission, OA needs to establish a Forensic Auditing Unit whose primary purpose would be to identify fraudulent acts affecting the IRS. The Forensic Audit Unit would combine advanced computer investigative work with traditional auditing techniques to compare various sets of data to more easily connect to possible fraudulent activities and assess situations when a fraud has taken place. Traditional auditors try to ensure that internal controls are in place to decrease the likelihood of fraudulent acts and follow up when risk factors are identified. Forensic auditors on the other hand proactively seek out fraud such as employee embezzlement or an employee directing a fictitious vendor payment to his or

her personal bank account. Forensic auditors require a different set of skills and techniques such as: data mining, information technology skills, statistics and investigative skills.

The IG Reform Act of 2008 requires that the SES performance management program be certified separate from the Department. This will require additional Human Capital focus on this program ensuring that TIGTA's executive performance management program is certified by the Office of Personnel Management and ensuring that TIGTA's executives are accountable for supporting TIGTA strategic plans, missions, and organizational objectives.

In order to meet these challenges the expertise, perspectives and innovation of TIGTA's human capital practitioners will be critical. Knowledgeable and highly effective human capital practitioners will need to be prepared to work as key partners with TIGTA's leaders to ensure that effective human capital management is a strategic business component in achieving TIGTA's mission. This will require transforming TIGTA's Human Capital team into a cadre of highly valued advisors, facilitators and experts, through development and regular engagement with decision makers. Continual learning and development is critical for TIGTA's Human Capital practitioners.

While the nature and sensitivity of TIGTA's work limits the possible use of on-site contractors, most of the routine human resources transactions, 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 2008 & Earlier Enacted	FY 2009 Enacted	FY 2010 Budget Request	% Change from FY09 to FY10	FY 2011 Request	% Change from FY10 to FY11
Major IT Investments / Funding Source		Budget Activity						
		2/						
<b>Subtotal, Major IT Investments</b>			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	\$574	-42.6%	\$574	0.0%
PARIS Property Module (PPM)		TIGTA: Audit and Investigations Activity	\$500	\$500	\$149	-70.2%	\$149	0.0%
<b>Non-Major IT Investments</b>			\$1,500	\$1,500	\$723	-51.8%	\$723	0.0%
TIGTA End User Systems and Services		TIGTA: Audit and Investigations Activity	\$8,000	\$8,293	\$2,678	-67.7%	\$2,678	0.0%
Telecommunications Systems and Services		TIGTA: Audit and Investigations Activity	\$3,100	\$3,300	\$2,465	-25.3%	\$2,465	0.0%
Data Center Systems and Services		TIGTA: Audit and Investigations Activity	\$1,000	\$1,000	\$4,003	300.3%	\$4,003	0.0%
IT Security	3/	TIGTA: Audit and Investigations Activity	\$750	\$0	\$0	0.0%	\$0	0.0%
Infrastructure Investments	4/	TIGTA: Audit and Investigations Activity	\$12,100	\$12,593	\$9,146	-27.4%	\$9,146	0.0%
Consolidated Enterprise Content Management	5/	TIGTA: Audit and Investigations Activity	\$0	\$129	\$0	0.0%	\$0	0.0%
Consolidated Identity Management	5/	TIGTA: Audit and Investigations Activity	\$0	\$128	\$0	0.0%	\$0	0.0%
Enterprise Architecture		TIGTA: Audit and Investigations Activity	\$250	\$250	\$275	10.0%	\$275	0.0%
<b>Total IT Investments</b>			\$13,850	\$14,600	\$10,144	-30.5%	\$10,144	0.0%

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 2008 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/ TIGTA costs which were previously not reflected prior to FY 2008.

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 (IT) provides a full suite of information technology products and services on behalf of TIGTA. All IT activities are focused on providing secure mobile and interoperable access to data sources that are critical to the successful completion of TIGTA's mission. IT 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:* IT 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. IT 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. IT 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.

IT 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:* IT supports its aspects of Treasury T-Net 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. T-Net 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, T-Net 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. T-Net 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:* IT operates information systems at various offices. In accordance with the IT Strategic Plan and continuing cost containment measures, IT 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, IT 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:* IT provides *Federal Information Security Management Act* (FISMA) support services to TIGTA. This support comes in three areas. The first support area is Information Integrity. IT 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. IT 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:* 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.

*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 compared 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:* IT 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 Evaluation**

Not applicable to TIGTA.