

Inspector General for Tax Administration

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2008	FY 2009		FY 2010		
	Enacted	ARRA	Enacted	Request	\$ Change	% Change
Salaries and Expenses	\$140,533	\$7,000	\$146,083	\$149,000	\$2,917	2.0%
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%
Subtotal, Inspector General for Tax Administration	\$140,533	\$7,000	\$146,083	\$149,000	\$2,917	2.0%
Offsetting Collections - Reimbursables	\$900	\$0	\$900	\$1,300	\$400	44.4%
Total Program Operating Level	\$141,733	\$7,000	\$146,983	\$150,300	\$3,317	2.3%

Explanation of Request

The FY 2010 President's Budget request for Treasury Inspector General for Tax Administration (TIGTA) will be used to continue to provide critical audit, investigative, and inspection and evaluation services, promoting the integrity of tax administration on behalf of the Nation's taxpayers. While there are a number of critical areas where TIGTA will provide oversight, highlights of TIGTA's investigative and audit 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 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.

Total resources required in FY 2010 to support TIGTA's mission are \$150,300,000, including \$149,000,000 from direct appropriations, and approximately \$1,300,000 from reimbursable agreements.

Purpose of Program

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 which is just and equitable.

TIGTA FY 2010 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2009 Enacted	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	149,000
Total FY 2010 President's Budget Request	149,000

FY 2010 Budget Adjustments

FY 2009 Enacted

The FY 2009 enacted direct appropriation for TIGTA is \$146,083,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain

Current Levels +\$3,264,000 / +0 FTE Funds are requested for: FY 2010 cost of the January 2009 pay increase of \$1,110,000; proposed January 2010 pay raise of \$2,340,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$318,000.

Non-Recurring Costs

No obligation to fund CIGIE -\$347,000 / +0

FTE There will be no interagency funding provided for the Council of Inspectors General on Integrity and Efficiency (CIGIE) in this

request.

Explanation of Budget Activities

Salaries and Expenses

Audit (\$56,289,000 from direct appropriations and \$551,000 from reimbursable programs) The Office of Audit's (OA) mission is to provide comprehensive coverage and oversight of all aspects of the IRS' daily operations. Audits, inspections, and evaluations 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, the IRS' implementation of audit recommendations results in: cost savings and increased or protected revenue; reduction of taxpayer burden; protection of taxpayer rights and entitlements, taxpayer privacy and security; and protection of IRS resources. Overall, as of September 30, 2008, 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. Each fiscal year, OA develops an annual audit plan that communicates oversight priorities to Congress, the Department of the Treasury, and the IRS. This plan strikes a balance between statutory audit coverage and high risk audit work. The statutory coverage includes audits mandated by the IRS Restructuring and Reform Act of 1998, as well as reviews that address computer security and financial management. The high-risk workload includes issues pertaining to the IRS' modernization efforts, its major management challenges, its progress in achieving its strategic goals, as well as Congressional and other stakeholder requests for audit coverage.

Investigations (\$92,711,000 from direct appropriations and \$749,000 from reimbursable programs) While most Offices of Inspector 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 of the United States 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.

External Attempts to Corrupt Tax Administration: External attempts to corrupt tax administration impede the IRS' ability to collect revenue. TIGTA'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.

Legislative Proposals

TIGTA has no legislative proposals for FY 2010.

¹ *Presidential Decision Directive NSC-63.*

TIGTA Performance by Budget Activity

Budget Activity	Performance Measure	FY 2006	FY 2007	FY 2008		FY 2009		FY 2010
		Actual	Actual	Actual	Target Met?	ARRA	Target	Target
Investigations	Percentage of results from investigative activities (%) (Oe)	79	81	78	Yes	78	78	78
Audit	Percentage of audit products delivered when promised to stakeholders (%) (Oe)	0	68	65	Yes	65	65	65
Audit	Percentage of recommendations made that have been implemented (%) (Oe)	0	90	85	Yes	83	83	83

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

Description of Performance

- Issued 179 audit, inspection, and evaluation reports, identifying approximately \$2.4 billion in potential financial benefits (i.e., costs savings, increased or protected revenue, taxpayer rights and entitlements, and inefficient use of resources).
- Closed 78 percent of the 3,662 final closed investigations which generated results, including 1,569 cases of employee misconduct referred for action and 179 cases accepted for criminal prosecution with final legal action.