

INTRODUCING THE . . .

TREASURY **I**NSPECTOR **G**ENERAL FOR **T**AX **A**DMINISTRATION

INFORMATION ABOUT THE TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

The Treasury Inspector General for Tax Administration (TIGTA) was established in January 1999 in accordance with the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98) to provide independent oversight of Internal Revenue Service (IRS) activities. As mandated by RRA 98, TIGTA assumed most of the responsibilities of the IRS' former Inspection Service.

TIGTA consists of approximately 960 auditors, investigators, attorneys and support staff to execute the duties and responsibilities of an Inspector General organization on matters relating to the IRS. TIGTA is organizationally placed within the Department of the Treasury, but is independent of the Department and all other Treasury offices, including the Treasury Office of the Inspector General (OIG). TIGTA's focus is devoted entirely to tax administration, while Treasury OIG is responsible for overseeing the other Treasury bureaus.

TIGTA provides leadership and coordination and recommends policy for activities designed to:

- promote economy, efficiency, and effectiveness in the administration of the internal revenue laws; and,
- prevent and detect fraud and abuse in the programs and operations of the IRS and related entities.

TIGTA is committed to serving the public by conducting audits and investigations that improve IRS operations.

INFORMATION ABOUT OUR CLIENTS, TAXPAYERS AND THE INTERNAL REVENUE SERVICE

The IRS collects over \$1.7 trillion annually to fund the nation's government. This requires the processing of over 200 million tax returns,

issuing over 90 million refunds, distributing over 1 billion tax forms and publications, and assisting over 130 million taxpayers. The IRS must continually strive to achieve these tasks while maintaining the highest level of integrity and ensuring taxpayer privacy. In addition to these demands, IRS implements tax law changes and must enforce tax laws to ensure that all parts of the taxpaying public pay the proper amount of tax.

In addition to these daily challenges, IRS is in the midst of tremendous change. RRA 98 mandates changes to the way IRS does business, and will result in enhanced taxpayer protection and rights, and organizational changes intended to achieve a more efficient and responsive IRS.

To assist IRS in meeting these challenges and to provide effective oversight for the Congress, TIGTA maintains comprehensive audit and investigative programs, including a strategic enforcement program emphasizing deterrence and detection approaches to ensure the highest degree of integrity and ethics in the IRS workforce. Audit and investigative activities are supported by TIGTA's Offices of Chief Counsel, Information Technology, Management Services and Strategic Development.

THE AUDIT PROGRAM

The Office of Audit identifies opportunities to improve the administration of the nation's tax laws by conducting comprehensive, independent performance and financial audits of IRS programs, operations, and activities to:

- assess efficiency, economy, effectiveness and program accomplishments;
- ensure compliance with applicable laws and regulations; and,
- prevent, detect, and deter fraud, waste, and abuse.

The Audit program is comprised of reviews mandated by statute or regulation, as well as reviews identified through Audit's planning and evaluation process. The Office of Audit strategically evaluates IRS programs, activities and functions so that resources are expended in the areas of highest vulnerability to the nation's tax system. TIGTA's Audit program is presented in the Annual Audit Plan which is published at the beginning of each fiscal year.

The Audit Process

Engagement Letter. IRS' Legislative Affairs Division coordinates audits between TIGTA and IRS management. Audits are initiated through an engagement letter. Engagement letters present the objectives of the

review, offices included in the review, deliverables and estimated completion dates, the TIGTA executive liaison and other contact points.

Opening Conference. Legislative Affairs Division personnel coordinates an opening conference with TIGTA and IRS managers to discuss the overall objectives of the review. Under certain circumstances, audit activities do not warrant an engagement letter or formal opening conference. These situations can include planning and research activities (e.g., audit surveys, gathering information for Congressional requests, annual audit planning, etc.) and integrity projects. In these instances, the Audit staff schedules meetings with IRS managers and technical personnel as needed.

Fieldwork. The Audit staff conducts interviews with IRS personnel, reviews files and documents, and conducts audit tests of systems and processes in accordance with government auditing standards. Issues are discussed with IRS management throughout the audit. Memoranda are issued when necessary to formally solicit management action, obtain agreement to the facts or provide audit information.

Discussion Draft Report. At the conclusion of fieldwork, a discussion draft report is prepared summarizing the audit findings, conclusions and recommendations.

Exit Conference. The Audit staff discusses audit results, conclusions, recommendations and outcome measures with IRS management. The exit conference is also held to verify the information gathered is accurate and obtain management's perspective on the issue(s).

Formal Draft Report. A formal draft report is issued from the Deputy Inspector General for Audit to the IRS Commissioner for formal response.

Agency Response. Legislative Affairs Division personnel coordinates and facilitates the response process. In general, the IRS Commissioner is requested to respond to the draft report within 30 calendar days. However, under certain circumstances, a shorter time frame may be required.

If a response is not provided within a reasonable time frame the final report may be issued without management's response.

Final Report. In most cases, the final report incorporates management's formal response and is issued to the IRS Commissioner. Copies of the report are distributed to appropriate IRS officials and made available to the public as appropriate.

THE INVESTIGATIVE PROGRAM

The Office of Investigations investigates activities related to fraud, waste, abuse and mismanagement concerning activities of the IRS and related entities (the IRS Oversight Board and Chief Counsel). The Office of Investigations also protects the IRS against attempts to corrupt or threaten its employees. This mission is completed through proactive and reactive investigative programs.

Field Offices. The field offices conduct investigations involving criminal wrongdoing and administrative misconduct by IRS employees. Examples of investigations include bribery, embezzlement, unauthorized use or disclosure of tax information, conflict of interest and abuse of taxpayer rights. The Office of Investigations also investigates outside individuals who attempt to interfere with or corrupt the administration of the federal income tax system. This includes investigations of bribery, assaults, threats, impersonations or other unlawful actions that may impact IRS employees and impede tax administration. Investigations may also include unauthorized disclosure or misuse of tax information by non-IRS employees, complaints against tax practitioners and accidents involving IRS personnel or property.

Special Inquiries and Inspection Division. The Division conducts sensitive investigations involving allegations of misconduct by TIGTA personnel, IRS Criminal Investigation personnel, IRS officials at the GS-15 level and above, and members of the IRS Oversight Board. The Division also has oversight responsibilities for TIGTA field offices, and conducts annual reviews of each field office.

Strategic Enforcement Division. The Division is responsible for TIGTA's proactive approach to identifying fraud and other wrongdoing that would otherwise go undetected. The Strategic Enforcement Program is managed by the Office of Investigations, with support from the Office of Audit and TIGTA's Office of Information Technology. The objective of the program is aggressive detection and deterrence of fraud. Techniques such as matching computer files are used to identify potential fraud or misuse. TIGTA also conducts awareness presentations for IRS employees which focus on ethics and integrity and include examples of weak internal controls and employee fraud that occurred as a result.

Complaint Management Division. The Office of Investigations operates a toll-free hotline and a central post office box where anyone can anonymously report suspicions of fraud, waste, abuse or misconduct. The allegations are received at TIGTA's Complaint Management Division, which acts as a national center to process and track allegations of wrongdoing. In order to assure that TIGTA has all of the relevant

information available to evaluate a complaint, complainants are interviewed by TIGTA personnel, to the extent possible. All complainants are provided with a complaint number which can be used to track the complaint's disposition.

The Investigative Process

Initiating an Investigation. Each investigation begins with the receipt of an allegation or complaint, which can be received from a variety of sources including: IRS employees, taxpayers, law enforcement agencies, other federal agencies or referrals from Congress. The TIGTA Hotline, which is available to IRS employees and the general public, is a vehicle for reporting complaints and allegations. Investigations are also initiated as a result of proactive analysis, such as matching computer files to identify potential fraud and misuse of IRS information. This includes unauthorized access to taxpayer accounts (UNAX) by IRS employees.

Each allegation received is analyzed to determine appropriate investigative action. Although not every allegation results in an investigation, every allegation is reviewed and TIGTA actions are documented. All reports concerning threats, assaults and bribery attempts require immediate response. Allegations of employee misconduct and those concerning taxpayer protection and rights also receive high priority status.

Conducting an Investigation. An investigative plan is developed to guide the Special Agent in gathering information, documentation and evidence to substantiate or refute a complaint or allegation of criminal violations or employee misconduct. Routine investigative steps include conducting interviews and reviewing and analyzing records and documents. The Special Agent completes the steps required to resolve the allegation.

Issuing a Report of Investigation. The Office of Investigations issues a Report of Investigation. Investigations that substantiate sufficient evidence of criminal violations are referred to the Department of Justice or local authorities for prosecution. All misconduct investigations concerning IRS employees that substantiate or refute administrative misconduct allegations are referred to IRS management for administrative action.

Results of some investigations and audits can be found in the Semiannual Report to the Congress on the TIGTA Web Site.

CHIEF COUNSEL TO THE INSPECTOR GENERAL

The Office of Chief Counsel provides legal guidance for the full range of TIGTA's activities. Legal guidance may involve the scope and exercise of TIGTA's authorities and responsibilities; audit and investigative techniques

and procedures; the impact of proposed and existing legislation and regulations on IRS and TIGTA programs and operations; and, legal issues that arise in the conduct and resolution of audits and investigations.

Chief Counsel also provides legal advice related to internal administration and operations and reviews subpoenas issued by TIGTA.

INFORMATION TECHNOLOGY

This office supports information technology products and services that facilitate the collection, management, analysis and dissemination of data and information for TIGTA. Information Technology is also responsible for maintaining internal management documents, inventories and information, physical and personnel security.

MANAGEMENT SERVICES

This office coordinates TIGTA's resource management needs. This includes personnel and administrative support, budget formulation and execution, acquisitions and training. Management Services is also responsible for strategic planning, performance management as required by the Government Performance and Results Act, and Inspector General reporting requirements.

STRATEGIC DEVELOPMENT

This office manages TIGTA's new organizational initiatives, special emphasis programs, media relations and Congressional requests.

IRS EMPLOYEE ASSISTANCE IS IMPORTANT

TIGTA's ability to serve the public is dependent on the diligence of IRS employees in reporting wrongdoing. Any indication of fraud, waste, mismanagement or abuse should be reported to TIGTA directly or through the employee's supervisor. IRS managers are responsible for ensuring that all allegations they receive are promptly reported to TIGTA.

Information provided in an allegation should include as much information as possible, including:

- an accurate statement of facts;
- names, addresses and office locations of applicable individuals;
- dates and times when the wrongdoing occurred or is expected to occur;

- how you became aware of the situation; and,
- names of or information about others who may know about the alleged activity.

Allegations may also be made anonymously through the TIGTA Hotline or by letter. Federal law prohibits reprisal or retaliation against an employee who reports wrongdoing.

**To report fraud, waste or abuse
Call toll free 1-800-366-4484
or write to
Treasury Inspector General
for Tax Administration Hotline
P.O. Box 589
Ben Franklin Station
Washington, DC 20044-0589**

To obtain copies of audit reports, semiannual reports and other TIGTA products, please contact our Congressional and Media Liaisons at (202) 622-6500 or visit our web site at: <http://www.treas.gov/tigta>

