



Treasury Inspector General for Tax Administration Office of Audit

CRIMINAL INVESTIGATION DIVISION RESOURCES DEVOTED TO SUPPORTING RECOMMENDED PROSECUTIONS CAN BE ENHANCED WITH A STRONGER STRATEGIC FOCUS

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Highlights

Highlights of Report Number: 2010-30-036 to the Internal Revenue Service Chief, Criminal Investigation.

IMPACT ON TAXPAYERS

The current Administration and Congress have recently begun to focus on reducing tax evasion as a way to reduce the tax gap and help ease the current strain on Federal budgets, potentially resulting in increased demand for Criminal Investigation (CI) Division resources. The CI Division needs stronger oversight and coordination, both locally and nationally, to effectively manage the prosecution pipeline process, help its management make sound decisions, and identify opportunities to reduce the resources devoted to cases in prosecution pipeline inventory. The successful prosecution of a criminal tax violation deters other taxpayers who might otherwise decide to not comply with the tax law and promotes confidence in the United States' tax administration system among taxpayers who do comply.

WHY TIGTA DID THE AUDIT

This audit was initiated because the CI Division suggested that TIGTA evaluate the steady increase in prosecution pipeline inventory over a period of years. The CI Division's criminal prosecution recommendations to the Department of Justice are called prosecution pipeline inventory until the prosecution efforts are completed. The audit's objective was to evaluate the growth and determine if there are ways to reduce the CI Division resources devoted to this area.

WHAT TIGTA FOUND

The CI Division has only a limited overall strategy to materially reduce and manage the prosecution pipeline inventory. Because an increase in the percentage of investigative time spent on cases in prosecution pipeline status reduces the CI Division's ability to initiate new cases or complete ongoing cases, TIGTA believes it should expand the monitoring of prosecution pipeline issues to identify

opportunities for improvement. While the steady increases in the volume of prosecution pipeline cases and percentage of investigative time expended are indicators to be used in identifying concerns or trends, these measures alone do not provide CI Division executives sufficient information for making sound management decisions.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Chief, CI Division, 1) create a structured oversight and coordination system to monitor and more effectively manage the prosecution pipeline process, 2) create an ad hoc strategic team to develop innovative policies and procedures to ensure tax cases receive appropriate attention and resolution by the Department of Justice, 3) develop additional techniques that refine the prosecution pipeline volume and investigative time performance measures and expand the information available for management purposes, and 4) ensure that necessary information is added to the quarterly Business Performance Reviews to provide a clear depiction of the resources devoted to prosecution pipeline inventory activities.

In its response to the report, Internal Revenue Service officials agreed with two recommendations, providing an alternate corrective action on one, and disagreed with the other two recommendations. The CI Division plans to create a strategic team to examine how a more structured approach to the oversight process can be implemented to support a consistent pipeline methodology within all CI Division management levels.

The CI Division does not agree with modifying the CI Management Information System to differentiate between the nature of time expended because it would be cost prohibitive and would not impact the prosecution pipeline process. TIGTA believes the disagreement is focused too narrowly on whether it is feasible to modify the system, rather than developing additional data analysis and summary reporting techniques which can be based on the system data that are already available. Any assumptions about the nature of the investigative time that makes up the prosecution pipeline percentage of total investigative time would inherently be misleading without determining underlying characteristics. For that reason, TIGTA believes that existing performance measures alone do not provide CI Division executives sufficient information for making sound business decisions.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full Internal Revenue Service response, go to:

<http://www.treas.gov/tigta/auditreports/2010reports/201030036fr.pdf>.

Email Address: inquiries@tigta.treas.gov
Web Site: <http://www.tigta.gov>

Phone Number: 202-622-6500