



Treasury Inspector General for Tax Administration Office of Audit

TRENDS IN THE CRIMINAL INVESTIGATION DIVISION'S ENFORCEMENT ACTIVITIES SHOWED IMPROVEMENTS; HOWEVER, SOME GOALS WERE NOT ATTAINED

Issued on July 1, 2010

Highlights

Highlights of Report Number: 2010-30-074 to the Internal Revenue Service Chief, Criminal Investigation.

IMPACT ON TAXPAYERS

The Criminal Investigation Division's (the Division) primary resource commitment is to develop and investigate legal source tax crimes. The prosecution of these cases is key to supporting the Internal Revenue Service's (IRS) overall compliance goals, enhancing voluntary compliance with the tax laws, and promoting fairness and equity in our tax system.

WHY TIGTA DID THE AUDIT

This audit was initiated as part of TIGTA's Fiscal Year (FY) 2010 Annual Audit Plan and addresses the IRS' major management challenge of Tax Compliance Initiatives. The overall objective of this review was to provide a statistical portrayal with trend analyses of the Division's enforcement activities for FYs 2000 through 2009.

WHAT TIGTA FOUND

The Division achieved its goal, spending 52.4 percent of its time on legal source tax and 72 percent on total tax investigations, both at a 10-year high. The Division also reported that the number of legal source tax investigation initiations increased by 13.3 percent and the number of tax-related initiations increased by 14.4 percent. Further, the number of subjects convicted of legal source tax crimes increased two percent from FY 2008 and has increased 17.5 percent since FY 2004. Similarly, the number of subjects sentenced for legal source tax crimes also increased 10.5 percent from FY 2008 and has increased 40.6 percent since FY 2004. These percentages validate that tax cases are a priority for the Division.

However, the Division did not meet its goal to complete 3,900 investigations, and instead only completed 3,848 investigations during FY 2009. According to Division management, increased resources that were devoted to the prosecution of investigations in the pipeline inventory during FY 2008 resulted in a

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significant decrease in FY 2008 subject investigation initiations and a related decrease in case completions during FY 2009. The Division also uses the number of convictions and the conviction rate as budgetary performance measures. The Division did not meet either of its established goals for these measures, reporting declines in both the number of convictions and the conviction rate in FY 2009. Increased numbers of dismissals during FY 2009 (resulting from efforts to reduce the pipeline inventory) caused the drop in the overall conviction rate.

In addition, the Division continues to work on increasing its special agent staffing and coordinating with the operating divisions to strengthen the Fraud Referral Program.

WHAT TIGTA RECOMMENDED

Although TIGTA made no recommendations in this report, IRS officials were provided an opportunity to review the draft report. IRS management did not provide any report comments.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2010reports/201030074fr.pdf>.

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