Program Summary by Budget Activity

<table>
<thead>
<tr>
<th>Budget Activity</th>
<th>FY 2015 Enacted</th>
<th>FY 2016 Enacted</th>
<th>FY 2017 Request</th>
<th>FY 2016 TO FY 2017 $ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>$61,572</td>
<td>$65,100</td>
<td>$66,020</td>
<td>$920</td>
<td>1.41%</td>
</tr>
<tr>
<td>Investigations</td>
<td>$96,638</td>
<td>$102,175</td>
<td>$103,614</td>
<td>$1,439</td>
<td>1.41%</td>
</tr>
<tr>
<td>Subtotal, Treasury Inspector General for Tax Administration</td>
<td>$158,210</td>
<td>$167,275</td>
<td>$169,634</td>
<td>$2,359</td>
<td>1.41%</td>
</tr>
<tr>
<td>Offsetting Collections - Reimbursables</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$1,500</td>
<td>$0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total Program Operating Level</td>
<td>$159,710</td>
<td>$168,775</td>
<td>$171,134</td>
<td>$2,359</td>
<td>1.40%</td>
</tr>
<tr>
<td>Direct FTE</td>
<td>835</td>
<td>859</td>
<td>859</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Reimbursable FTE</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Total FTE</td>
<td>837</td>
<td>861</td>
<td>861</td>
<td>0</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Summary

The FY 2017 President’s Budget request for the Treasury Inspector General for Tax Administration (TIGTA) will be used to provide high quality professional audit, investigative, and inspection and evaluation services that promote integrity, economy, and efficiency in the administration of the Nation’s tax system.

TIGTA’s Fiscal Year 2013 – 2016 Strategic Plan guides program and budget activities and supports the Department of the Treasury’s FY 2014-2017 Strategic Plan (the Plan), which includes Strategic Goal 3: “Fairly and effectively reform and modernize federal financial management, accounting, and tax systems.”

Specifically, TIGTA’s vision is consistent with Objective 3.2 of the Plan, “Improve the disbursement and collection of federal funds, and reduce improper payments made by the U.S. Government.” Likewise, TIGTA’s vision to “maintain a highly skilled, proactive, and diverse Inspector General organization dedicated to working in a collaborative environment with key stakeholders to foster and promote fair tax administration” supports Objective 3.3 of the Plan, “Pursue tax reform, implement the Patient Protection and Affordable Care Act (ACA) and the Foreign Account Tax Compliance Act, and improve the execution of the Internal Revenue Code.” While there are a number of critical areas where TIGTA will provide oversight, its FY 2017 priorities include:

- Identifying opportunities to improve the administration of the Nation’s tax laws and achieve program efficiencies and cost savings;
- Mitigating risks associated with security of taxpayer data and IRS employees; tax systems and online services; identity theft; oversight of tax-exempt organizations; tax compliance; the implementation of tax law changes; and human capital challenges facing the IRS in its domestic and/or international operations;
- Develop advanced analysis and innovative approaches to help prevent and detect the flow of dollars fraudulently obtained by criminals and IRS employees to ensure the security of IRS and TIGTA data;
- Providing the IRS with the investigative coverage and the information necessary to mitigate threats against its employees, facilities, and data systems;
- Responding to domestic and foreign threats to, and attacks against,
IRS employees, property, data infrastructure, and sensitive information;

- Rapidly and effectively responding to attempts to impersonate the IRS for fraudulent purposes;
- Improving the integrity of IRS operations by detecting and deterring waste, fraud, abuse, and misconduct, including the unauthorized disclosure of confidential taxpayer information by IRS employees;
- Conducting comprehensive audits and inspections and evaluations that provide recommendations for achieving monetary benefits, addressing erroneous and improper payments, and enhancing the service the IRS provides to taxpayers;
- Informing the American people, Congress, and the Secretary of the Treasury of problems on a timely basis once all facts are known;
- Overseeing the IRS’s efforts to administer tax provisions of the ACA; and
- Overseeing the IRS’s efforts to increase international tax compliance.

TIGTA was created by Congress as a part of the Internal Revenue Service Restructuring and Reform Act of 1998 (RRA 98). TIGTA’s audits, investigations, inspections, and evaluations protect and promote the fair administration of the U.S. tax system. TIGTA conducts audits that advise the public, 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 improve the administration of the federal tax system. TIGTA’s administrative and criminal investigations help to protect the IRS and its employees and to ensure that the IRS protects and secures taxpayers’ data. TIGTA’s inspections and evaluations provides responsive, timely, and cost-effective inspections and evaluations of challenging areas in IRS programs. TIGTA’s oversight is essential to the efficiency and equity of the IRS’s tax administration system. TIGTA ensures that taxpayers can have confidence that the IRS collects more than $3.1 trillion in tax revenue in an effective and efficient manner.

Total resources required to support TIGTA activities for FY 2017 are $171,134,000, including $169,634,000 from direct appropriations and $1,500,000 from offsetting collections and reimbursable programs.

### TIGTA FY 2017 Budget Highlights

<table>
<thead>
<tr>
<th>Treasury Inspector General for Tax Administration</th>
<th>FTE</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016 Enacted</td>
<td>859</td>
<td>$167,275</td>
</tr>
</tbody>
</table>

Changes to Base:

- Maintaining Current Levels (MCLs): $2,376
- Pay-Raise: $1,315
- Pay Annualization: $437
- Non-Pay: $624
- Efficiency Savings: ($17)
- Personnel Security Background Investigations: ($17)
- Subtotal Changes to Base: $2,359

Total FY 2017 Base: 859 $169,634

Total FY 2017 Request: 859 $169,634

### FY 2017 Budget Adjustments

#### Adjustments to Request

**Maintaining Current Level (MCLs)**

**Pay-Raise** $1,315,000 / +0 FTE

Funds are requested for the proposed January 2017 pay-raise.

**Pay Annualization** $437,000 / +0 FTE

Funds are requested for annualization of the January 2016 pay-raise.
Non-Pay +$624,000 / +0 FTE
Funds are requested for inflation adjustments in non-labor costs such as travel, contracts, rent, and equipment.

Efficiency Savings
Personnel Security Background Investigations
- $17,200 / +0 FTE
TIGTA will generate a savings from a reduction in the number of personnel investigations it will need to conduct based on the results of an ongoing position sensitivity designation review.

Explanation of Budget Activities
Audit ($66,020,000 from direct appropriations; $600,000 from reimbursable resources)
TIGTA’s audit work is concentrated on high-risk areas and the IRS’s progress in achieving its strategic goals. TIGTA strategically evaluates IRS programs, activities, and functions so that resources are expended in the areas of highest vulnerability of the Nation’s system of tax administration. TIGTA’s audit program includes both statutory audit requirements and specific audits identified through TIGTA’s risk-assessment process. By focusing on the most critical areas, TIGTA identifies and recommends improvements that add value while addressing high-risk tax administration issues. TIGTA’s audits and recommendations help promote the economy, efficiency, and effectiveness of IRS programs; ensure the fair and equitable treatment of taxpayers; and detect and deter waste, fraud, and abuse.

During FY 2015, the Office of Audit (OA) issued 92 audit reports that included potential financial benefits of approximately $26.6 billion, an increase of $10 billion over FY 2014 and affected approximately 5.3 million taxpayer accounts. In FY 2014, several key ACA provisions became effective. Beginning in Calendar Year 2014, most individuals were required to maintain minimum essential coverage, and some low to middle-income individuals will be eligible to receive the Premium Tax Credit. As such, FY 2015 and FY 2016 will be significant years for oversight of ACA provisions. TIGTA’s independent oversight plays a key role in ensuring that these provisions are implemented and administered in accordance with the law and the intent of Congress.

Investigations ($103,614,000 from direct appropriations; $900,000 from reimbursable resources)
TIGTA has a 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 serious administrative and criminal misconduct committed by IRS employees. TIGTA’s investigative resources focus on three primary areas of investigation: Employee Integrity; Employee and Infrastructure Security; and External Attempts to Corrupt Tax Administration.

Employee Integrity: IRS employee misconduct, real or perceived, can erode public trust and impede the IRS’s ability to enforce tax laws effectively. This misconduct manifests itself in a variety of ways, including misuse of IRS resources or authority; theft; fraud; extortion; taxpayer abuses; and unauthorized access to, and disclosure of, tax return information. During FY 2015, 49 percent of TIGTA’s investigative body of work involved alleged employee misconduct. TIGTA’s special agents possess the knowledge, skills, and expertise to investigate such matters. TIGTA’s investigation of employee misconduct conveys a message to IRS employees that these types of activities will not go unchecked. TIGTA promotes employee integrity by conducting proactive investigative initiatives to detect criminal activity and other serious misconduct in the administration of IRS programs.
Employee and Infrastructure Security: Physical violence, harassment, and intimidation of IRS employees pose some of the most significant challenges to the implementation of a fair and effective system of tax administration. TIGTA’s investigative efforts place high priority on its oversight of IRS employee safety and physical security, protecting approximately 91,000 employees and 601 facilities throughout the country. TIGTA maintains IRS employee and infrastructure security by conducting investigations into incidents that threaten IRS employees, facilities, and infrastructure. The Inspector General Reform Act of 2008 allows TIGTA to provide physical security to protect IRS employees against external threats. TIGTA works aggressively and takes swift action to protect IRS employees, including providing armed escorts to IRS employees in dangerous situations.

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 attempted bribery of IRS employees and the impersonation of the IRS.

Many IRS employees are in direct contact with taxpayers and often encounter situations in which a taxpayer may challenge the employee’s integrity with a bribe. Bribery, or attempted bribery, of a public official is a criminal offense, and an attack on the integrity of the entire IRS organization and the Nation’s system of tax administration. TIGTA is currently investigating nationwide IRS impersonation schemes in which criminals are pretending to be IRS employees and are attempting to collect phantom tax liabilities from innocent taxpayers. In FY 2015, TIGTA received more than 896,000 reports related to this type of contact; and more than 5000 taxpayers have been defrauded out of more than $26.5 million as a result of impersonation scams.

In May 2015, the IRS originally reported to TIGTA that criminals used taxpayer-specific data acquired from non-IRS sources to successfully gain unauthorized access to more than 100,000 tax accounts through IRS’s “Get Transcript” application. In August 2015, as a result of TIGTA’s investigative findings, the IRS conducted a deeper analysis in which it identified an additional 220,000 successful attempts to clear the “Get Transcript” verification process by individuals with taxpayer-specific sensitive data. The updated review also identified an additional 170,000 suspected attempts that failed to clear the authentication processes. Following TIGTA’s advice, the IRS disabled the “Get Transcript” application until this matter is investigated. As of February 2016, the “Get Transcript” application is still disabled.

As part of its overall investigation into the data breach, the Office of Investigations (OI) is conducting an in-depth forensic review of more than 300,000 accounts to determine if they were used for any other type of identity theft. The investigation will also identify the vulnerabilities that allowed the accounts to be stolen and will generate the evidence necessary to bring the responsible individuals to justice.

Legislative Proposals
TIGTA has no legislative proposals.
## TIGTA Performance by Budget Activity

<table>
<thead>
<tr>
<th>Budget Activity</th>
<th>Performance Measure</th>
<th>FY 2013 Actual</th>
<th>FY 2014 Actual</th>
<th>FY 2015 Actual</th>
<th>FY 2016 Target</th>
<th>FY 2017 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>Percentage of Audit Products Delivered when Promised to Stakeholders</td>
<td>84.0</td>
<td>65.0</td>
<td>80.0</td>
<td>68.0</td>
<td>68.0</td>
</tr>
<tr>
<td>Audit</td>
<td>Percentage of Recommendations Made that Have Been Implemented</td>
<td>87.0</td>
<td>89.0</td>
<td>92.0</td>
<td>85.0</td>
<td>85.0</td>
</tr>
<tr>
<td>Investigations</td>
<td>Percentage of Results from Investigative Activities</td>
<td>90.0</td>
<td>92.0</td>
<td>93.0</td>
<td>81.0</td>
<td>81.0</td>
</tr>
</tbody>
</table>

Key: DISC – Discontinued

### Description of Performance

- For FY 2015, OA issued 92 audit reports identifying approximately $26.6 billion in potential financial benefits (i.e., costs savings, increased or protected revenue, taxpayer rights and entitlements, and inefficient use of resources).
- For FY 2015, TIGTA surpassed its target of 68 percent of Audit Products Delivered when Promised to Stakeholders. TIGTA achieved 80 percent as a result of monitoring the execution of its audit programs. The FY 2015 actual percentage of Recommendations Made that Have BeenImplemented was 92 percent. TIGTA exceeded its target as a result of continued discussions with the IRS throughout the audit process, both on the findings and on the potential recommended solutions, to ensure that feasible alternatives were identified.
- For FY 2017, OA’s performance targets are 68 percent of Audit Products Delivered when Promised to Stakeholders and 85 percent of Recommendations Made that Have Been Implemented.
- During FY 2015, TIGTA initiated 37 proactive investigative initiatives to detect systemic weaknesses or potential IRS program vulnerabilities. TIGTA received 12,080 complaints and opened 2,726 investigations in FY 2015. During this time period, TIGTA also closed 2,797 investigations, which included 1,185 cases of employee misconduct referred for IRS action and 146 cases of all types of investigations accepted for criminal prosecution.
- For FY 2017, OI’s performance target is 81 percent of Results from Investigative Activities.