

The Treasury Inspector General for Tax Administration

Program Summary by Budget Activity

Dollars in Thousands

Budget Activity	FY 2014	FY 2015	FY 2016	FY 2015 TO FY 2016	
	Enacted	Enacted	Request	\$ Change	% Change
Audit	\$60,850	\$61,572	\$65,100	\$3,528	5.73%
Investigations	\$95,525	\$96,638	\$102,175	\$5,537	5.73%
Subtotal, Treasury Inspector General for Tax Administration	\$156,375	\$158,210	\$167,275	\$9,065	5.73%
Offsetting Collections - Reimbursables	\$1,700	\$1,500	\$1,500	\$0	0.00%
Total Program Operating Level	\$158,075	\$159,710	\$168,775	\$9,065	5.68%
Direct FTE	835	835	859	24	2.87%
Reimbursable FTE	2	2	2	0	0.00%
Total FTE	837	837	861	24	2.87%

Summary

The FY 2016 President's Budget request for the Treasury Inspector General for Tax Administration (TIGTA) will be used to provide high quality professional audit, investigative, and inspections and evaluations 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 2: "Fairly and effectively reform and modernize Federal financial management, accounting, and tax systems."

TIGTA's vision is specifically 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 (FATCA), and improve the execution of the Internal Revenue Code (IRC or tax code)."

While there are a number of critical areas where TIGTA will provide oversight, FY 2016 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 employees; information systems modernization; identity theft; oversight of tax-exempt organizations; procurement fraud; tax compliance; implementation of tax law changes; and human capital challenges facing the IRS in its domestic and/or international operations;
- Providing the IRS with the investigative coverage and the information necessary to mitigate threats against its employees, facilities, and 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 Patient Protection and Affordable Care Act (ACA); as amended by the Health Care and Education Reconciliation Act of 2010; and
- Overseeing the IRS's efforts to implement the Foreign Account Tax Compliance Act (FATCA) to help prevent U.S. taxpayers from hiding assets offshore.

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 services provide responsive, timely, and cost-effective inspections and evaluations of IRS challenge areas. 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 2016 are \$168,775,000, including \$167,275,000 from direct appropriations and \$1,500,000 from offsetting collections and reimbursable programs.

TIGTA FY 2016 Budget Highlights

Dollars in Thousands

Treasury Inspector Administration	General for Tax	FTE	Amount
FY 2015 Enacted		835	\$158,210
Changes to Base:			
Maintaining Current Levels (MCLs):			
Pay-Raise		-	\$2,557
Pay Annualization		-	\$1,249
FERS Contribution Increase		-	\$319
Non-Pay		-	\$426
Efficiency Savings:			
Personnel		-	\$563
Security		-	(\$84)
Background		-	(\$17)
Investigations		-	(\$67)
Space Optimization		-	(\$67)
Subtotal Changes to Base		-	\$2,473
Total FY 2016 Base		835	\$160,683
Program Changes:			
Program Increases:		24	\$6,592
Enhance Capabilities to Protect the Tax Administration System Against Fraud & Cyberthreats		24	\$6,592
Total FY 2016 Request		859	\$167,275

FY 2016 Budget Adjustments

Adjustments to Request

Maintaining Current Level (MCLs)

Pay-Raise +\$1,249,000 / +0 FTE

Funds are requested for the proposed January 2016 pay-raise.

Pay Annualization +\$319,000 / +0 FTE

Funds are requested for annualization of the January 2015 pay-raise.

FERS Contribution Increase +\$426,000 / +0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +\$563,000 / +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 -\$17,000 / +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.

Space Optimization -\$67,000 / +0 FTE

TIGTA will achieve real property cost savings through the reduction of space, non-renewal of lease agreements, and/or the consolidation of existing space. TIGTA continues to implement telework and office right-sizing measures in order to reduce its footprint. As a result, TIGTA will need less building space, generating a savings of \$67,000.

Program Increases

Enhance Capabilities to Protect the Tax Administration System Against Fraud & Cyberthreats +\$6,592,000 / +24 FTE

The threats to the Nation's tax system are growing in complexity and sophistication. TIGTA developed this initiative to improve its use of advanced analytics and cross-discipline approaches to enhance its capabilities to assess and protect the Federal tax system.

Explanation of Budget Activities

Audit (\$65,100,000 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 to 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 2014, TIGTA issued 95 audit reports that included potential financial benefits of approximately \$16.5 billion and affected approximately 3.6 million taxpayer accounts. In FY 2014, several key ACA provisions became effective. Beginning in Calendar Year 2014, most individuals are 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 (\$102,175,000 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 2014, 54 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 95,000 employees and 670 facilities throughout the country. TIGTA maintains IRS employee and infrastructure security by conducting investigations into incidents that threaten IRS employees, facilities, and infrastructure. In October 2008, the Inspector General Reform Act of 2008 was signed into law, which 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 where 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 impersonations schemes in which criminals are pretending to be IRS employees and are attempting to collect phantom tax liabilities from innocent taxpayers. To date, the TIGTA Hotline has received over 269,000 related reports of this type of contact; and over 2,400 taxpayers have been defrauded out of over \$13 million as a result of this impersonation scam.

Legislative Proposals

TIGTA has no legislative proposals.

TIGTA Performance by Budget Activity

Budget Activity	Performance Measure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
		Actual	Actual	Actual	Target	Target
Audit	Percentage of Audit Products Delivered when Promised to Stakeholders	71.0	84.0	65.0	68.0	68.0
Audit	Percentage of Recommendations Made that Have Been Implemented	94.0	87.0	89.0	85.0	85.0
Investigations	Percentage of Results from Investigative Activities	89.0	90.0	92.0	79.0	81.0

Key: DISC - Discontinued and B - Baseline

Description of Performance

- For FY 2014, TIGTA issued 95 audit reports identifying approximately \$16.5 billion in potential financial benefits (*i.e.*, costs savings, increased or protected revenue, taxpayer rights and entitlements, and inefficient use of resources).
- For FY 2014, TIGTA achieved its FY 2014 target of 65 percent for the percentage of audit products delivered when promised to stakeholders. TIGTA met this goal as a result of monitoring the execution of its audit programs. The FY 2014 actual percentage of recommendations made that have been implemented was 89 percent. TIGTA exceeded its target by four percent 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 2016, the Office of Audit targets 68 percent of audit products will be delivered when promised to stakeholders and 85 percent of recommendations made will be implemented.
- During FY 2014, TIGTA initiated 41 proactive investigative initiatives to detect systemic weaknesses or potential IRS

program vulnerabilities. TIGTA received 10,193 complaints and opened 2,964 investigations in FY 2014. During this time period, TIGTA also closed 3,054 investigations, which included 1,343 cases of employee misconduct referred for IRS action and 144 cases of all types of investigations were accepted for criminal prosecution.

- For FY 2016, the Office of Investigations' performance target is 81 percent, a two percent increase from the FY 2015 target of 79 percent.