



Treasury Inspector General for Tax Administration Office of Audit

STATISTICAL PORTRAYAL OF THE CRIMINAL INVESTIGATION DIVISION'S ENFORCEMENT ACTIVITIES FOR FISCAL YEARS 2000 THROUGH 2008

Issued on March 26, 2009

Highlights

Highlights of Report Number: 2009-30-053 to the Chief, Criminal Investigation.

IMPACT ON TAXPAYERS

During this annual review, TIGTA reviewed information from the Criminal Investigation Management Information System reports to analyze trends and changes in the major areas of criminal enforcement. During Fiscal Year (FY) 2008, some key performance measures declined, such as the number of subject investigations initiated, the number completed, and direct investigative time. Continued progress in the enforcement of criminal tax and tax-related violations is important to enhancing voluntary compliance and fostering confidence in the integrity of the tax system.

WHY TIGTA DID THE AUDIT

This audit was initiated as part of TIGTA's FY 2009 Annual Audit Plan. While the overall trend information presented covers FYs 2000 through 2008, TIGTA's report concentrates on 1) analyzing program performance for the last 5 years, and 2) providing an in-depth perspective on program activities for the 2 most current fiscal years.

WHAT TIGTA FOUND

TIGTA previously reported that from FY 2006 to FY 2007 several key performance measures showed improvement. For example, the numbers of subject investigations initiated, completed, and recommended for prosecution all showed improvement.

In FY 2008, the Criminal Investigation Division (the Division) continued to demonstrate efficiencies processing investigations. For example, the number of days needed to close legal and illegal source investigations decreased by 2.9 percent from the previous year. However, some key performance measures that had improved the previous year declined: the number of subject investigations initiated decreased nearly 11 percent; the number of subject investigations completed decreased

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5.3 percent; and direct investigative time showed a slight decrease.

TIGTA believes that one of the causes for the decreases in the numbers of subject investigations initiated and subject investigations completed was the continued rise in pipeline inventory (a subject investigation that has been recommended for prosecution and the subject has not been convicted or acquitted, or the investigation has not been dismissed) and the resources needed to address it. Pipeline inventory has steadily increased over the past 6 years and now stands at a 9-year high of 4,118 subject investigations. FY 2008 is the second consecutive year where there were more subject investigations in the pipeline than open subject criminal investigations. More direct investigative time is being spent to prepare investigations in the pipeline for adjudication instead of initiating new investigations.

Division management believes this is a positive trend since successful prosecutions generate publicity, foster deterrence, and enhance voluntary compliance. For FY 2009, the Division indicated that it would place a greater emphasis on the reduction of the pipeline inventory, which may result in even fewer investigations being initiated and completed during the upcoming year. TIGTA is currently conducting a separate review to evaluate the growth in pipeline inventory and to identify any potential actions that can be taken in the future to reduce the resources devoted to this area.

TIGTA believes another cause for the decreases in subject investigations initiated and completed is the continued loss of experienced special agents to attrition faster than they can be replaced. The number of special agents is currently at its lowest level in 30 years. The Division attributes this to its budgets being relatively flat in recent years, which have put pressure on its ability to replace agents lost through attrition because of the need to fund yearly salary increases. TIGTA's concern noted last year about the net loss of experienced special agents negatively impacting productivity was realized during FY 2008. During FY 2009, the Division plans to hire 192 special agents, but the new, inexperienced agents may not have a significant impact on the FY 2009 performance goals.

WHAT TIGTA RECOMMENDED

Due to the nature of this review, TIGTA made no recommendations. However, key Division management officials reviewed the report prior to issuance and agreed with the facts and conclusions presented.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2009reports/200930053fr.pdf>.

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