

Inspector General for Tax Administration

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2007	FY 2008	President's Budget	FY 2009	
	Enacted	Enacted		Increase/Decrease	Percent Change
Salaries and Expenses	\$132,861	\$140,533	\$145,736	\$5,203	3.7%
Audit	50,260	52,959	55,055	2,096	4.0%
Investigations	82,601	87,574	90,681	3,107	3.5%
Subtotal, Inspector General for Tax Administration	\$132,861	\$140,533	\$145,736	\$5,203	3.7%
Offsetting Collections - Reimbursables	1,200	900	900	0	0.0%
Total Program Operating Level	\$134,061	\$141,433	\$146,636	\$5,203	3.7%

Explanation of Request

The FY 2009 President's Budget request for Treasury Inspector General for Tax Administration's (TIGTA) will be used to continue to provide critical audit and investigative services, ensuring the integrity of tax administration on behalf of the nation's taxpayers. While there are a number of critical areas where TIGTA will provide oversight, highlights of TIGTA's investigative and audit priorities include:

- Adapting to the Internal Revenue Service's (IRS) continuously evolving operations and mitigating intensified risks associated with modernization, addressing the tax gap, and enforcement efforts;
- Responding to threats and attacks against IRS employees, property, and sensitive information;
- Improving the integrity of IRS operations by detecting and deterring fraud, waste, abuse or misconduct by IRS employees;
- Conducting comprehensive audits, inspections, and evaluations that include recommendations for cost savings and enhancing IRS service to taxpayers; and
- Informing Congress and the Secretary of the Treasury of problems and progress made to resolve them.

Total resources required in FY 2009 to support TIGTA's mission are \$146,636,000, including \$145,736,000 from direct appropriations, and approximately \$900,000 from reimbursable agreements.

TIGTA Funding History

(Dollars in Thousands)



Purpose of Program

TIGTA was created by Congress to provide independent oversight of the IRS. TIGTA's investigations and audits protect and promote the fair administration of the American tax system. Its responsibilities include ensuring that the IRS is accountable for more than \$2 trillion in tax revenue received each year. TIGTA's investigations ensure the integrity of IRS employees, contractors, and other tax professionals; provide for infrastructure security; and protect the IRS from external attempts to threaten or corrupt the administration of the tax laws. TIGTA conducts audits that advise 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 aim to improve IRS systems and operations, while maintaining fair and equitable treatment of taxpayers. TIGTA's oversight is essential to the efficiency and equity of the federal tax administration system.

TIGTA FY 2009 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	\$140,533
Changes to base:	
Maintaining Current Levels (MCLs):	\$3,833
Non-Pay Inflation Adjustment	615
Pay Annualization	799
Pay Inflation Adjustment	2,419
Transfers In:	\$1,370
Transfer from IRS for building operations	1,370
Subtotal FY 2009 Changes to Base	\$5,203
FY 2009 Base	\$145,736
FY 2009 President's Budget	\$145,736

FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for TIGTA is \$140,533,000.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +\$3,833,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of \$799,000; proposed January 2009 pay raise of \$2,419,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$615,000.

Transfers In

Transfer from IRS for building operations +\$1,370,000 / +0 FTE Transfer from IRS to fund expenses for building operations and selected support services currently provided by IRS on behalf of TIGTA

Explanation of Budget Activities

Salaries and Expenses

Audit (\$55,055,000 from direct appropriations and \$500,000 from reimbursable programs) The Office of Audit's (OA) mission is to provide comprehensive coverage and oversight of all aspects of the IRS' daily operations. Audits, inspections, and evaluations not only focus on the economy and efficiency of IRS functions but also ensure that taxpayers' rights are protected and the taxpaying public is adequately served. Moreover, IRS implementation of audit recommendations results in: cost savings and increased or protected revenue; reduction of taxpayer burden; protection of taxpayer rights and entitlements, taxpayer privacy and

security; and protection of IRS resources. Overall, as of September 30, 2007, audit reports produced potential financial benefits of approximately \$3.55 billion, and potentially impacted approximately 5.7 million taxpayer accounts in areas such as taxpayer burden, rights and entitlements, taxpayer privacy and security, protection of resources/reliability of information, and increased revenue/revenue protected. Each fiscal year, OA develops an annual audit plan that communicates oversight priorities to Congress, the Department of the Treasury, and the IRS. This plan includes statutory audit coverage and high risk audit work. The statutory coverage includes audits mandated by the IRS Restructuring and Reform Act of 1998, as well as reviews that address computer security and financial management. The high-risk workload includes issues pertaining to the IRS' modernization efforts, major management challenges, response to the President's Management Agenda, progress in achieving strategic goals, as well as Congressional and other stakeholder requests for audit coverage.

Investigations (\$90,681,000 from direct appropriations and \$400,000 from reimbursable programs) While most Offices of Inspector General focus primarily on fraud, waste and abuse, TIGTA's mission is more extensive. TIGTA has the 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 criminal violations and administrative misconduct by IRS employees, protects the IRS against external attempts to corrupt tax administration, and ensures IRS employee safety and IRS data and infrastructure security. The following summaries highlight TIGTA's investigative efforts in these three core areas:

Employee Integrity: The IRS' ability to deliver taxpayer service, enforce tax laws effectively, and collect the proper amount of taxes can be undermined by employee misconduct. Over 50 percent of TIGTA's current investigations involve alleged employee misconduct. These investigations of employee misconduct allegations include extortion, theft, taxpayer abuse, false statements, and financial fraud. In addition, an integral part of the employee integrity program involves investigations of unauthorized

access to confidential taxpayer records by IRS employees.

Employee and Infrastructure Security: In 1998, The President of the United States designated IRS operations as a critical infrastructure. TIGTA meets the challenge of maintaining IRS employee and infrastructure security by conducting investigations in reaction to incidents in which IRS employees, facilities, and infrastructure are sabotaged, threatened, or assaulted. Potential threats to tax administration are identified by TIGTA's administration of a Criminal Intelligence Program that utilizes law enforcement and intelligence resources to proactively identify individuals and groups who may pose a threat to tax administration.

External Attempts to Corrupt Tax Administration:

External attempts to corrupt tax administration impede the IRS' ability to collect revenue. TIGTA's investigations of external attempts to corrupt or interfere with tax administration include: bribes offered by taxpayers to compromise IRS employees; the use of fraudulent IRS documentation to commit crimes; taxpayer abuse by tax practitioners; impersonation of IRS employees; and the corruption of IRS programs through procurement fraud.

Legislative Proposals

TIGTA has no legislative proposals for FY 2009.

TIGTA Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Audit	Percentage of Audit Products Delivered When Promised to Stakeholders	N/A	N/A	68	Baseline	60	65
Audit	Percentage of Recommendations Made That Have Been Implemented	N/A	N/A	90	Baseline	80	83
Investigations	Percentage of Results from Investigative Activities	82	79	81	✓	76	76

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance

- Issued 180 audit, inspection, and evaluation reports, identifying approximately \$3.55 billion in potential financial benefits (i.e., costs savings, increased or protected revenue, taxpayer rights and entitlements, and inefficient use of resources).
- 81 percent of the 3,597 final closed investigations which generated results, including 1,663 cases of employee misconduct referred for action and 206 cases accepted for criminal prosecution with final legal action.