

Treasury IG for Tax Admin.

Performance Plans for FY2002 and FY2003

Actual Performance Figures are in **bold**, Final Targets are in plain text, and Proposed Targets are *italicized*.
Targets which were not met are shown in red.

Mission: The mission of TIGTA is to conduct audits to evaluate the efficiency and effectiveness of IRS programs and activities; and to conduct investigations to prevent fraud, waste, abuse and misconduct in the IRS and related entities.

Budget Activity: Treasury Inspector General for Tax
Function: Administration

The function of the Office of Audit is to promote the sound administration of the nation's tax laws by conducting comprehensive, independent performance and financial audits; assessing efficiency, economy, and effectiveness of IRS programs and operations; ensuring compliance with applicable laws and regulations; and preventing, detecting and deterring fraud, waste and abuse.

The function of the Office of Investigations is to protect the integrity of the IRS, its employees, and related entities against external attempts to corrupt or threaten them while carrying out their responsibilities. This includes investigating allegations of criminal wrongdoing and serious administrative misconduct by IRS employees. Other areas of responsibility include: administering programs to protect IRS employees from violence; operating a national complaints center, including a hotline to receive and process allegations of fraud, waste or abuse; and providing forensic examination of documentary evidence.

Performance Goal:

By FY 2005, increase the monetary benefits from audit recommendations to a level of \$200 million annually.

<u>Performance Measure(s):</u>	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
View Definition and Validation					
Potential monetary benefits from audit recommendations made during the fiscal year (\$ in millions)	\$192	\$117.1	\$13,000	\$140	<i>\$144</i>
		View Explanation	View Explanation		

Performance Goal:

By 2005, improve the quality of tax administration for 20 million taxpaying entities annually.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation					
Potential number of taxpaying entities for whom tax administration is improved as a result of audit recommendations made during the fiscal year (in millions)	9.1	11.3	14.5	14	14

Performance Goal:

Maintain intergrity awareness within the IRS by providing providing briefings to at least one-third of IRS employees annually.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation					
Percentage of IRS employees working during the fiscal year who attended a TIGTA integrity briefing	36%	47%	43%	33%	30%

Performance Goal:

Provide timely justice by referring at least 80% of criminal investigative reports for prosecution within one year after case initiation.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation Percentage of criminal investigative reports referred for prosecution within one year of case initiation	80%	85%	90%	80%	73%

Performance Goal:

By 2005, refer at least 70% of misconduct investigative reports for administrative adjudication within four months of case initiation.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation Percentage of misconduct investigations referred to management for administrative adjudication within four months of case initiation	51%	48% View Explanation	71%	64%	60%

Performance Goal:

By 2005, increase and/or protect government revenue by \$1.5 billion annually.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation					
Total potential increased revenue or revenue protected as a result of audit recommendations made during the fiscal year (\$ in billions)	\$0.58	\$1.4	\$13.7 View Explanation	\$1.2	\$1.2

Performance Goal:

Maintain at least 90% quality standards for all investigations conducted.

	FY1999 Actual	FY2000 Actual	FY2001 Actual	FY2002 Final Plan	FY2003 Proposed Plan
<u>Performance Measure(s):</u>					
View Definition and Validation					
Percentage of closed investigations that meet the President's Council for Integrity and Efficiency (PCIE) investigative quality standards			98%	90%	90%

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Performance Measure

Potential monetary benefits from audit recommendations made during the fiscal year (\$ in millions)

Definition and Validation

Definition: Potential monetary benefits are the total questioned costs and funds that could be put to better use identified in audit reports issued in a fiscal year. The term "questioned cost" means a cost that is questioned because of: (1) an alleged violation of a provision of a law, regulation, contract, or other requirement governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation ("unsupported cost"); or (3) a finding that expenditure of funds for the intended purpose is unnecessary or unreasonable. Questioned costs also include "disallowed costs," which means a cost that management has sustained or agreed should not be charged to the Government. The term "funds put to better use" means funds that could be used more efficiently and effectively if management took actions to implement and complete an audit recommendation(s).

Verification and Validation: Questioned costs and funds put to better use are identified in audit reports. All factual information in audit reports must be supported by audit evidence. This is validated by a qualified auditor independent of the review. Data on questioned costs and funds put to better use resulting from each audit is tracked manually. To assure data accuracy, audit managers are required to submit an impact assessment document indicating the total amount of questioned costs and funds that could be put to better use. This data is input into a centralized database and verified against draft and final report documents. In addition, IRS management is given the opportunity to review the data and the methodology used to calculate the data at the draft report stage.

Data Accuracy: Reasonable Accuracy

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Performance Measure

Potential number of taxpaying entities for whom tax administration is improved as a result of audit recommendations made during the fiscal year (in millions)

Definition and Validation

Definition: Total number of taxpaying entities for whom rights and entitlements are protected, taxpayer burden is reduced or privacy and security over sensitive taxpayer data is improved because of audit recommendations made in audit reports issued during a fiscal year. The term "protect rights and entitlements" refers to the protection of due process (rights) granted to taxpayers by law, regulation, or IRS policies and procedures. The term "taxpayer burden" refers to the time saved by individuals or businesses in contacts, record keeping or preparation to comply with tax laws, regulations and IRS policies and procedures. The term "improved privacy and security" refers to the protection of taxpayer financial and account information (privacy) and the protection of tax-related processes, systems and programs (security).

Verification and Validation: Data on taxpaying entities impacted by protection of rights and entitlements, taxpayer burden, and improved privacy and security results from individual audits. All factual information in audit reports must be supported by audit evidence. This is validated by a qualified auditor independent of the review. To assure data accuracy, audit managers are required to prepare an impact assessment document for each audit showing the number of taxpaying entities impacted. This data is input into a centralized database and verified against draft and final report documents. In addition, IRS management is given the opportunity to review the data and the methodology used to calculate the data at the draft report stage.

Data Accuracy: Reasonable Accuracy

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Performance Measure

Percentage of IRS employees working during the fiscal year who attended a TIGTA integrity briefing

Definition and Validation

Definition: The percentage is computed by dividing the number of IRS employees attending TIGTA awareness/integrity briefings in a fiscal year by the average number of permanent IRS employees on rolls during the fiscal year. The purpose of the integrity briefings is to educate employees on the expected professional conduct as they execute their responsibilities, to include recognizing and reporting bribe overtures. Integrity briefings have a potential deterrent effect and could dissuade employees from taking inappropriate advantage of their positions.

Verification and Validation: Data for this measure is extracted from the Investigations Management Information System (IMIS). Special Agents who participate in awareness/integrity briefings take attendance and input the data into IMIS.

Selected IMIS data is quality reviewed as part of the field division inspection process. The number of IRS employees is obtained from IRS' Automated Financial System. The permanent on rolls at the end of each period is averaged to determine the number of IRS employees for the fiscal year.

Data Accuracy: Reasonable Accuracy

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Performance Measure

Percentage of criminal investigative reports referred for prosecution within one year of case initiation

Definition and Validation

Definition: The percentage is computed by dividing the number of criminal investigations referred during the fiscal year within one year of initiation by the total number of criminal investigations referred during the fiscal year. Criminal investigations are referred to the Assistant U.S. Attorney, State or Local Authorities.

Verification and Validation: The number of criminal investigations initiated and referred is extracted from the IMIS. Reports of Investigative and IMIS data are reviewed for consistency by Special Agents in Charge prior to closing the investigation. Additionally, independent reviews are conducted periodically of each field office where a sample of investigations are quality reviewed to ensure the accuracy of the IMIS data.

Data Accuracy: Reasonable Accuracy

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Performance Measure

Percentage of misconduct investigations referred to management for administrative adjudication within four months of case initiation

Definition and Validation

Definition: For cases initiated after September 30, 1999, the percentage is computed by dividing the number of misconduct cases referred to management during the fiscal year within four months of initiation by the total number of misconduct cases referred during the fiscal year. Misconduct investigations involve an IRS or TIGTA employee. At the conclusion of the investigation, cases are referred to management for administrative adjudication that could include an adverse action (removal, suspension, admonishment, etc.) or a clearance letter if the allegations are determined to be unsubstantiated.

Verification and Validation: For cases initiated after September 30, 1999, the number of administrative cases referred is extracted from the IMIS. Reports of Investigation and IMIS data are reviewed for consistency by Special Agents in Charge prior to closing the investigation. Additionally, independent reviews are conducted periodically of each field office where a sample of closed investigations are quality reviewed by the Special Inquiries and Inspections Division to ensure the accuracy of IMIS data.

Data Accuracy: Reasonable Accuracy

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Performance Measure

Total potential increased revenue or revenue protected as a result of audit recommendations made during the fiscal year (\$ in billions)

Definition and Validation

Definition: Total potential government revenue from either increased tax, interest and penalties from taxpayers or denied refunds, identified in final audit reports issued during the fiscal year. This includes assessment or collection of additional taxes (increased revenue), or prior denial or claims for refund, including recommendations that prevent erroneous refunds or efforts to defraud the tax system (revenue protection).

Validation and Verification: Data on increased revenue and revenue protected is the result of individual audits. All factual information in audit reports is supported by audit evidence. This is validated by a qualified auditor independent of the review. To assure data accuracy, audit managers submit an impact assessment document for each audit showing the revenue calculations. This data is input into a centralized database and verified against draft and final report documents. In addition, IRS management is given the opportunity to review the data and the methodology used to calculate the data at the draft report stage.

Data Accuracy: Reasonable Accuracy

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Performance Measure

Percentage of closed investigations that meet the President's Council for Integrity and Efficiency (PCIE) investigative quality standards

Definition and Validation

Definition: Based on a sample of closed investigations, the number of investigations meeting PCIE standards divided by the total number of investigations sampled during the fiscal year. The PCIE standards are the general and qualitative guidelines applicable to investigative efforts conducted by criminal investigators working for the Offices of the Inspector General affiliated with the PCIE.

Verification and Validation: The sample of investigations is judgmentally selected and evaluated by a staff of independent (Special Inquiries and Inspections Division) of the office that completed the investigations. Investigations are evaluated against PCIE standards. The evaluation results are discussed with the head of office responsible for the investigation.

Data Accuracy: Reasonable Accuracy

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Explanation:FY2001 **Performance Measure:** Potential monetary benefits from audit recommendations made during the fiscal year (\$ in millions)

The Treasury Inspector General for Tax Administration exceeded this goal by a significant amount due to the outcome measure claimed in one audit report. The audit report involved a cost saving of \$13 billion (\$2.6 billion projected over a five year period) in Funds Put to Better Use. The report stated that by simplifying interest laws, the Internal Revenue Service (IRS) could improve fairness, speed refunds, and reduce annual government interest costs. The \$2.6 billion a year was based on the average amount of interest paid by the IRS over a 6-year period and represents the amount of interest that could be avoided if all overpayments are timely refunded by the IRS within 45 days.

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Explanation:FY2001 **Performance Measure:** Total potential increased revenue or revenue protected as a result of audit recommendations made during the fiscal year (\$ in billions)

Treasury Inspector General for Tax Administration exceeded this goal by a significant amount due to the outcome measure claimed in one audit report. The audit report involved \$11 billion (\$2.2 billion projected over a five year period) in increased revenue/ revenue protected. The report indicated that significant tax revenue may be lost due to inaccurate reproofing of Taxpayer Identification Numbers for independent contractors.

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Explanation:FY2000 **Performance Measure:** Potential monetary benefits from audit recommendations made during the fiscal year (\$ in millions)

Explanation not provided.

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Explanation:FY2000 **Performance Measure:** Percentage of misconduct investigations referred to management for administrative adjudication within four months of case initiation

TIGTA established its FY 2000 goal at a reasonable first year target for referring misconduct cases for administrative adjudication. TIGTA management believes it was important to ensure its investigative resources were focused on timely referrals even though there were a substantial number of cases that were already overaged when this goal was established. TIGTA was committed to working its overaged inventory, some of which were cases initiated prior to TIGTA's inception, and this adversely impacted being able to achieve the goal. For example, over one third of the investigations referred during FY 2000 involved cases that were initiated prior to establishing the goal. TIGTA achieved a 67% referral rate within four months of initiation for cases initiated after 9/30/99, which exceeded the established goal. Although TIGTA did not achieve its first year target, establishing the goal at this level of performance served to communicate its firm commitment to delivering timely investigative services to its staff, customers and stakeholders.

