



Treasury Inspector General for Tax Administration

STATISTICAL PORTRAYAL OF THE CRIMINAL INVESTIGATION FUNCTION'S ENFORCEMENT ACTIVITIES FROM FISCAL YEAR 2000 THROUGH FISCAL YEAR 2006

Issued on June 6, 2007

Highlights

Highlights of Report Number: 2007-10-083 to the
Chief, Criminal Investigation Division.

IMPACT ON TAXPAYERS

During this annual review, TIGTA analyzed information from the Criminal Investigation function (the function) management information system reports to determine the trends and changes in the major areas of criminal enforcement. Although some indicators showed an increase in Fiscal Year 2006, several key performance measures declined, such as the number of criminal investigations initiated or in process and the number of subjects convicted of a crime. There is a need for continued progress in enforcement of criminal tax and tax-related violations to enhance voluntary compliance and foster confidence in the integrity of the tax system.

WHY TIGTA DID THE AUDIT

This audit was initiated to provide statistical information and trend analyses of that information to the function. Data were obtained from the Internal Revenue Service (IRS) Data Books and the function.

WHAT TIGTA FOUND

Although the percentage of tax-related subject investigations initiated and the percentage of direct investigative time applied to tax-related subject investigations increased, several key performance measures showed decreases from Fiscal Year 2005. For example, the number of subject investigations initiated decreased 8.5 percent, the number of subject investigations in open inventory decreased 5.8 percent, the number of subject investigations referred for prosecution decreased 4.9 percent, the number of subjects convicted of a crime decreased 6.1 percent, and the number of subjects sentenced for a crime decreased 3.6 percent.

The number of investigations in the Department of Justice pipeline was at a 6-year high. This resulted in the function spending more direct investigative

time to prepare these investigations for adjudication instead of initiating new investigations.

The percentage of direct investigative time spent on legal source income tax and tax-related investigations was at a 7-year high. Although the function reported it was spending more time investigating these types of cases, overall investigations initiated decreased, thus affecting the number of legal source income tax and tax-related investigations initiated.

Increasing overall special agent staffing remains a challenge as the function continues to lose experienced special agents to attrition faster than it is replacing them. According to its most recent estimates, the function's planned hiring will not offset Fiscal Year 2006 attrition or expected Fiscal Year 2007 attrition.

In addition, Congressional concerns about the function's Questionable Refund Program continue. TIGTA is encouraged by the IRS' actions to implement changes within this Program to address stakeholder concerns; however, these changes may affect the function's future statistical measures in this area.

In an effort to ensure voluntary compliance, the function continues to increase its publicity on tax prosecutions. The overall publicity rate of 75.6 percent for prosecutions in Fiscal Year 2006 was an all time high.

WHAT TIGTA RECOMMENDED

Due to the nature of this review, TIGTA did not make any recommendations. However, key IRS management officials reviewed the report prior to issuance and provided additional perspective.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2007reports/200710083fr.pdf>

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