



Treasury Inspector General for Tax Administration Office of Audit

IMPLEMENTATION OF FISCAL YEAR 2013 SEQUESTRATION BUDGET REDUCTIONS

Issued on June 12, 2014

Highlights

Highlights of Report Number: 2014-10-025 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

Sequestration is a process of automatic, largely across-the-board spending reductions required by law to meet or enforce certain budget policy goals. On March 1, 2013, the President issued a sequestration order reducing budgetary resources across the Federal Government for the remainder of Fiscal Year (FY) 2013 in order to reduce the Federal budget deficit.

WHY TIGTA DID THE AUDIT

Our objective was to evaluate the process used to allocate the required sequestration reductions in the IRS's FY 2013 budget.

WHAT TIGTA FOUND

Overall, the IRS generally took reasonable steps to plan for the required sequestration spending reductions in its FY 2013 budget, and the IRS monitored the status of those reductions. The IRS was required to submit an operating plan within 30 days of enactment of the annual appropriations legislation.

Our analysis of the IRS's year-end budget for FY 2013 determined that the IRS achieved the overall savings it planned in each of its operating appropriations. However, because savings achieved by cost area varied widely from budgeted amounts, the IRS needed to significantly revise its post-sequestration budget. As part of this revision, funds from cost areas with greater than planned savings were reallocated to other cost areas. The IRS also reduced its planned furlough days from seven days to three days.

In addition, implementation of the mandated sequestration cuts, coupled with a trend of lower budgets, reduced staffing, and the loss of supplementary funding for the implementation of the Patient Protection and Affordable Care Act of 2010, collectively affected the IRS's ability to effectively deliver its priority program

areas, including customer service and enforcement activities in FY 2013.

For example, in FY 2013, IRS customer service representatives provided a Level of Service to taxpayers of 61 percent compared to 68 percent in FY 2012. In addition, examinations of individual taxpayers declined more than five percent in FY 2013 compared to FY 2012 examinations. Collection activities initiated by the IRS, such as taxpayer liens, levies, and property seizures, declined by approximately 33 percent.

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations as a result of the work performed during this review. However, key IRS officials reviewed this report prior to its issuance and agreed with the facts and conclusions presented.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2014reports/201410025fr.pdf>.