



# Committee On Finance

Max Baucus, Ranking Member

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## **BAUCUS: TROUBLED IRS FRAUD DETECTION PROGRAM MUST NOT EXPOSE TAXPAYERS' PRIVATE INFORMATION**

*New IG report calls for full security certification, accreditation  
before electronic system is redeployed*

*Washington, DC* – U.S. Senator Max Baucus (D-Mont.), Ranking Democrat on the Senate Finance Committee, today said that security concerns about an electronic fraud detection system at the Internal Revenue Service (IRS) should be resolved quickly so that vital taxpayer information is protected, and so that the program can be deployed for the 2007 filing season. A new report from the office of the Treasury Inspector General for Tax Administration (TIGTA) says that security controls for the electronic fraud detection system, also known as EFDS, have not been tested properly since 2001. According to TIGTA, the EFDS holds the IRS's second-largest repository of private taxpayer information. The system was a subject of discussion before the Senate Finance Committee earlier this year, when it came to light that serious problems with its redesign resulted in fraudulent returns and refunds not being identified.

**“The IRS has got to get a grip on this fraud detection program. The only silver lining in their failure to deploy the program for the past two years may be that taxpayer information was protected by default,”** said Baucus. **“But it’s long past time for these rampant problems to be resolved. IRS needs to get fundamental security measures in place, crack down on its contractors, and give the American people a functioning fraud detection system in the 2007 filing season.”**

The new Inspector General’s report can be viewed in full at [www.tigta.gov](http://www.tigta.gov). In July of this year, Baucus and Finance Committee Chairman Chuck Grassley (R-Iowa) contacted the IRS about the agency’s failure to implement a new web-based version of the EFDS database for the past two filing seasons. The Finance Committee learned of the problems with the system while investigating a complaint from the National Taxpayer Advocate that the IRS was freezing taxpayer refunds owed to lower-income Americans without proper notification.

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