#### **HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE**

"Cybersecurity and Protecting Taxpayer Information"



**Testimony of** The Honorable J. Russell George **Treasury Inspector General for Tax Administration** 

**April 12, 2016** 

Washington, D.C.

#### TESTIMONY OF

### THE HONORABLE J. RUSSELL GEORGE TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

before the

### COMMITTEE ON FINANCE UNITED STATES SENATE

"Cybersecurity and Protecting Taxpayer Information"
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Chairman Hatch, Ranking Member Wyden, and Members of the Committee, thank you for the opportunity to testify on the Internal Revenue Service's (IRS) controls to protect sensitive taxpayer information.

The Treasury Inspector General for Tax Administration (TIGTA) is statutorily mandated to provide independent audit and investigative services necessary to improve the economy, efficiency, and effectiveness of IRS operations, including the IRS Chief Counsel. TIGTA's oversight activities are designed to identify high-risk systemic inefficiencies in IRS operations and to investigate exploited weaknesses in tax administration. TIGTA's role is critical in that we provide the American taxpayer with assurance that the approximately 86,000 IRS employees<sup>1</sup> who collected over \$3.3 trillion in tax revenue, processed over 244 million tax returns, and issued more than \$400 billion in tax refunds during Fiscal Year (FY)<sup>2</sup> 2015,<sup>3</sup> have done so in an effective and efficient manner while minimizing the risks of waste, fraud, and abuse.

TIGTA's Office of Audit (OA) reviews all aspects of the Federal tax administration system and provides recommendations to: improve IRS systems and operations; ensure the fair and equitable treatment of taxpayers; and detect and prevent waste, fraud, and abuse in tax administration. The Office of Audit has examined specific high-risk issues such as identity theft, refund fraud, improper payments, information technology, security vulnerabilities, complex modernized computer systems, tax collections and revenue, and waste and abuse in IRS operations.

TIGTA's Office of Investigations (OI) protects the integrity of the IRS by investigating allegations of IRS employee misconduct, external threats to IRS

<sup>&</sup>lt;sup>1</sup> Total IRS staffing as of October 3, 2015. Included in the total are approximately 15,400 seasonal and part-time employees.

<sup>&</sup>lt;sup>2</sup> The Federal Government's fiscal year begins on October 1 and ends on September 30.

<sup>&</sup>lt;sup>3</sup> IRS, Management's Discussion & Analysis, Fiscal Year 2015.

employees and facilities, and other attempts to impede or otherwise interfere with the IRS's ability to collect taxes. Specifically, the Office of Investigations investigates misconduct by IRS employees which manifests itself in many ways, including unauthorized access to taxpayer information and the use of the information for the purposes of identity theft; extortion; theft of government property; taxpayer abuses; false statements; and other financial fraud. The Office of Investigations is statutorily charged to investigate threats made against the IRS's employees, facilities and data. We are committed to ensuring the safety of IRS employees and the taxpayers who conduct business at more than 670 IRS facilities nationwide.

TIGTA's Office of Inspections and Evaluations performs responsive, timely, and cost-effective inspections and evaluations of challenging areas within the IRS, providing TIGTA with additional flexibility and capability to produce value-added products and services to improve tax administration. Inspections are intended to monitor compliance with applicable laws, regulations, and/or policies; assess the effectiveness and efficiency of programs and operations; and inquire into allegations of waste, fraud, abuse, and mismanagement. Evaluations, on the other hand, are intended to provide in-depth reviews of specific management issues, policies, or programs.

Cybersecurity threats against the Federal Government continue to grow. According to the Department of Homeland Security's U.S. Computer Emergency Readiness Team, Federal agencies reported 77,183 cyberattacks in FY 2015, an increase of more than 10 percent from FY 2014.<sup>4</sup> The IRS reported that more than 1,000 security incidents occurred to its systems during the period August 1, 2014, to July 31, 2015.

The IRS, the largest component of the Department of the Treasury, has primary responsibility for administering the Federal tax system. The IRS's role is unique within the Federal Government in that it administers the Nation's tax laws and collects the revenue that funds the Government. It also works to protect Federal revenue by detecting and preventing the growing risk of fraudulent tax refunds and other improper payments. The IRS relies extensively on its computer systems to support both its financial and mission-related operations. These computer systems collect and process extensive amounts of taxpayer data, including Personally Identifiable Information. For Calendar Year 2015, the IRS processed more than 150 million individual tax returns and more than 55 million business tax returns that contain taxpayers' sensitive financial data.

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<sup>&</sup>lt;sup>4</sup> Office of Management and Budget, *Annual Report to Congress: Federal Information Security Management Act* (Mar. 2016).

TIGTA has identified a number of areas in which the IRS could better protect taxpayer data and improve its overall security position. My comments today will focus on our work related to the IRS's ability to prevent and detect breaches to its computer systems and the IRS's processes to authenticate users accessing its online services.

#### DATA SECURITY REMAINS A TOP CONCERN OF TIGTA

Since FY 2011, TIGTA has designated the security of taxpayer data as the top concern facing the IRS based on the increased number and sophistication of threats to taxpayer information and the need for the IRS to better protect taxpayer data and improve its enterprise security program. To provide oversight of the IRS's Information Security program, TIGTA conducts ongoing audit coverage of various security programs, systems, and solutions. As of March 2016, 14 TIGTA audits still have 23 recommendations that have yet to be implemented. These recommendations address weaknesses related to connections with external partners, continuous efforts to monitor information security, implementation of the Homeland Security Presidential Directive 12 initiative, <sup>5</sup> and information technology asset management.

TIGTA continues to identify significant security weaknesses that could affect the confidentiality, integrity, and availability of financial and sensitive taxpayer data. For example, during our most recent Federal Information Security Modernization Act<sup>6</sup> evaluation of the IRS's information security programs and practices,<sup>7</sup> we found three security program areas, *i.e.*, Continuous Monitoring Management, Identity and Access Management, and Configuration Management, that did not meet the level of performance specified by the Department of Homeland Security.<sup>8</sup>

One of the Federal Government's latest security initiatives is the implementation of continuous monitoring of information security, which is defined as maintaining

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<sup>&</sup>lt;sup>5</sup> Homeland Security Presidential Directive 12, *Policy for a Common Identification Standard for Federal Employees and Contractors*, requires agencies to follow specific technical standards and business processes for the issuance and routine use of Federal identity credentials to ensure that only authorized personnel have access to Government systems and applications.

<sup>&</sup>lt;sup>6</sup> Pub. L. No. 113-283, 128 Stat. 3073 (2014). This bill amended chapter 35 of title 44 of the United States Code to provide for reform to Federal information security.

<sup>&</sup>lt;sup>7</sup> TIGTA, Ref. No. 2015-20-092, *Treasury Inspector General for Tax Administration – Federal Information Security Modernization Act Report for Fiscal Year 2015* (Sept. 2015).

<sup>&</sup>lt;sup>8</sup> To assist the Inspectors General in evaluating Federal agencies' compliance with the Federal Information Security Modernization Act, the Department of Homeland Security issued the *Fiscal Year 2015 Inspector General Federal Information Security Modernization Act Reporting Metrics*, which specified 10 information security program areas and listed specific attributes within each area for evaluation.

ongoing, real-time awareness of information security, vulnerabilities, and threats to support organizational risk decisions. While the IRS has made progress and is in compliance with guidelines from the Department of Homeland Security and the Department of the Treasury, we found that the IRS is still in the process of implementing its Information Security Continuous Monitoring program required by the Office of Management and Budget to automate asset management and maintain the secure configuration of assets in real time.

Specifically, we reported that the IRS Continuous Monitoring Management program is at a maturity level of one on a scale of one to five, where one is the least mature and five is the most mature. In July 2014, the Department of the Treasury decided to adopt a uniform approach across the Department and to use the toolset selected by the Department of Homeland Security to meet the program requirements. The Department of Homeland Security is currently in the process of procuring a standard set of cybersecurity tools and services for use by Federal agencies. These tools will include sensors that perform automated searches for known cyber flaws and send the results to dashboards that inform system managers in real time of cyber risks that need remediation.

The Identity and Access Management program ensures that only those with a business need are able to obtain access to IRS systems and data. However, we found that this program did not meet a majority of the attributes specified by the Department of Homeland Security, largely due to the IRS's failure to achieve Government-wide goals set for implementing logical (system) and physical access to facilities in compliance with Homeland Security Presidential Directive 12 requirements. Homeland Security Presidential Directive 12 requires Federal agencies to issue personal identity verification cards to employees and contractors for accessing agency systems and facilities.

Configuration Management ensures that settings on IRS systems are maintained in an organized, secure, and approved manner that includes the timely installation of patches to resolve known security vulnerabilities. We found that the IRS has not fully implemented enterprise-wide automated processes to identify computer assets, evaluate compliance with configuration policies, and deploy security patches. Specifically, these processes have not been fully implemented enterprise-wide and still rely on many tedious manual procedures. Eventually, the IRS's Configuration Management program will benefit from the implementation of the Information Security Continuous Monitoring program, which is intended to automate configuration management in real time for the universe of IRS assets.

Patch<sup>9</sup> management is an important element in mitigating the security risks associated with known vulnerabilities to computer systems. This is critical to prevent intrusions by unauthorized individuals or entities. TIGTA evaluated the effectiveness of the IRS security patch management process, which has been an ongoing challenge for the IRS.<sup>10</sup> In 2012, we found that the IRS had made progress in automating installation and monitoring in a large segment of its computers, but it had not yet implemented key patch management policies and procedures needed to ensure that all IRS systems are patched timely and operating securely. Any significant delays in patching software with critical vulnerabilities provides ample opportunity for persistent attackers to gain control of vulnerable computers and get access to the sensitive data the computer systems may contain, including taxpayer data. The Government Accountability Office reported in March 2015 that the IRS was still not effectively applying security patches in a timely manner.<sup>11</sup> We also reported in September 2015 that the IRS is still working to expand a standard automated process to deploy operating system patches enterprise-wide.<sup>12</sup>

We have also identified other areas that would improve the IRS's ability to defend its systems against cyberattacks. Monitoring IRS networks 24 hours a day, year-round, for cyberattacks and responding to various computer security incidents is the responsibility of the IRS's Computer Security Incident Response Center (CSIRC). TIGTA evaluated the effectiveness of the CSIRC at preventing, detecting, reporting, and responding to computer security incidents targeting IRS computers and data, and identified areas for improvement. At the time of our review, the CSIRC's host-based intrusion detection system was not monitoring a significant percentage of IRS servers, which leaves that portion of the IRS network and data at risk. In addition, the CSIRC was not reporting all computer security incidents to the Department of the Treasury, as required. Finally, incident response policies, plans, and procedures were nonexistent, inaccurate, or incomplete. We are currently evaluating the effectiveness of the CSIRC at preventing, detecting, reporting, and responding to computer security incidents targeting IRS computers and data, and plan to issue our report later this year.

<sup>&</sup>lt;sup>9</sup> A patch fixes a design flaw in a computer program. Patches must be installed or applied to the appropriate computer for the flaw to be corrected.

<sup>&</sup>lt;sup>16</sup> TIGTA, Ref. No. 2012-20-112, An Enterprise Approach Is Needed to Address the Security Risk of Unpatched Computers (Sept. 2012).

<sup>11</sup> GAO-15-337, IRS Needs to Continue Improving Controls over Financial and Taxpayer Data

GAO-15-337, IRS Needs to Continue Improving Controls over Financial and Taxpayer Data (Mar. 2016).

<sup>&</sup>lt;sup>12</sup> TIGTA, Ref. No. 2015-20-092, *Treasury Inspector General for Tax Administration – Federal Information Security Modernization Act Report for Fiscal Year 2015* (Sept. 2015).

<sup>13</sup> TIGTA, Ref. No. 2012-20-019, *The Computer Security Incident Response Center Is Effectively* 

<sup>&</sup>lt;sup>13</sup> TIGTA, Ref. No. 2012-20-019, The Computer Security Incident Response Center Is Effectively Performing Most of Its Responsibilities, but Further Improvements Are Needed (Mar. 2012).

<sup>&</sup>lt;sup>14</sup> TIGTA, Audit No. 201620003, *Effectiveness of the Computer Security Incident Response Center*, report planned for September 2016.

TIGTA also found that many interconnections 15 in use at the IRS do not have proper authorization or are not covered by security agreements. Although the IRS has established an office to provide oversight and guidance for the development of security agreements, that office is not responsible for managing or monitoring agreements for all external interconnections in use in the IRS environment. TIGTA believes the lack of a centralized inventory and of an enterprise-level approach to ensure that all external interconnections are monitored have contributed to interconnections that are active but lack proper approvals and assurances necessary to meet current security requirements. 16

In addition, TIGTA reported 17 that the IRS was unable to upgrade all of its workstations with the most current Windows® operating system. 18 Because of their importance, operating systems must be updated on a regular basis to patch security vulnerabilities and, if necessary, upgraded completely in order to fix crucial weaknesses or to address new threats to their functionality. TIGTA found that the IRS did not follow established policies with respect to project management and provided inadequate oversight and monitoring of the Windows upgrade early in its effort. As a result, the IRS had not accounted for the location or migration status of approximately 1,300 workstations and had upgraded only about one-half of its applicable servers at the conclusion of our audit.

#### IRS AUTHENTICATION PROCESSES NEED IMPROVEMENT

The increasing number of data breaches in the private and public sectors means more personal information than ever before is available to unscrupulous individuals. Much of these data are detailed enough to enable circumvention of most authentication processes. Therefore, it is critical that the methods the IRS uses to authenticate individuals' identities provide a high level of confidence that tax information and services are provided only to individuals who are entitled to receive them.

<sup>&</sup>lt;sup>15</sup> The National Institute of Standards and Technology defines a system interconnection as the direct connection of two or more information technology systems for the purpose of sharing data and other information resources.

<sup>&</sup>lt;sup>16</sup> TIGTA, Ref. No. 2015-20-087, *Improvements Are Needed to Ensure That External Interconnections* Are Identified, Authorized, and Secured (Sept. 2015).

<sup>&</sup>lt;sup>17</sup> TIGTA, Ref. No. 2015-20-073, Inadequate Early Oversight Led to Windows Upgrade Project Delays

<sup>(</sup>Sept. 2015). <sup>18</sup> The software that communicates with computer hardware to allocate memory, process tasks, access disks and peripherals, and serves as the user interface.

The risk of unauthorized access to tax accounts will continue to grow as the IRS focuses its efforts on delivering online tools to taxpayers. The IRS plans to increase the availability and quality of self-service interactions, allowing it to free up in-person resources for taxpayers who truly need them. The IRS's goal is to eventually provide taxpayers with dynamic online account access that includes viewing their recent payments, making minor changes and adjustments to their accounts, and corresponding digitally with the IRS. As tax administration evolves, the challenge of providing adequate data security will continue.

The IRS recognized that there was a lack of consistency in the techniques it had employed for authentication; therefore, in June 2014, it established the Authentication Group. In a report issued in November 2015, TIGTA found that although the IRS recognizes the growing challenge it faces in establishing effective authentication processes and procedures, the IRS has not established a Service-wide approach to managing its authentication needs. 19 As a result, the level of authentication the IRS uses for its various services is not consistent. TIGTA found that while the Authentication Group is evaluating potential improvements to existing authentication methods for the purpose of preventing identity theft, it is not developing overall strategies to enhance authentication methods across IRS functions and programs. TIGTA recommended that the IRS develop a Service-wide strategy that establishes consistent oversight of all authentication needs across IRS functions and programs. In addition, the IRS should ensure that responsibility for implementing the strategy is optimally aligned to provide centralized oversight and facilitate decision making for the development and integration of all forms of authentication, including frameworks, policies, and processes across the IRS.

Office of Management and Budget (OMB) Memorandum M-04-04, E-Authentication for Federal Agencies, 20 establishes criteria for determining the risk-based level of authentication assurance required for specific electronic applications and transactions. E-Authentication is the process of establishing confidence in user identities electronically presented to an information system. The OMB guidance requires agencies to review new and existing electronic transactions to ensure that authentication processes provide the appropriate level of assurance. This guidance is intended to help agencies identify and analyze the risks associated with each step of the authentication process. As the outcome of an authentication error becomes more serious, the required level of assurance increases.

<sup>&</sup>lt;sup>19</sup> TIGTA, Ref. No. 2016-40-007, *Improved Tax Return Filing and Tax Account Access Authentication* Processes and Procedures Are Needed (Nov. 2015).

OMB, M-04-04, E-Authentication for Federal Agencies (Dec. 2003).

In addition, the U.S. Department of Commerce National Institute of Standards and Technology (NIST) *Special Publication 800-63-2, Electronic Authentication Guideline*<sup>21</sup> provides the technical requirements for the four levels of assurance defined in OMB guidance as shown in the following table.

Table 1 - Levels of Electronic Assurance

Level of Assurance	Requirements	Level of Confidence
Level 1	No identity proofing is required.	Provides little or no confidence.
Level 2	Requires basic identity proofing data, a valid current Government identification number, and a valid financial or utility account number. Access occurs only after identity proofing data and either the Government identification number or financial/utility account number are verified by the agency.	Provides some confidence in the validity of an individual's identity.
Level 3	Requires basic identity proofing data, a valid current Government identification number, and a valid financial or utility account number as well as the use of a second authentication factor such as a one-time supplemental code issued via text message or e-mail to the telephone number or e-mail address associated with the individual.	Provides high confidence in the validity of an individual's identity.
Level 4	Requires in-person identity proofing and verification.	Provides very high confidence in the validity of an individual's identity.

OMB standards require Federal agencies to conduct an assessment of the risk of authentication error for each online service or application they provide. An authentication error occurs when an agency confirms the identity provided by an individual when in fact the individual is not who he or she claims to be. In addition, NIST Special Publication 800-63 establishes specific requirements that agencies' authentication processes must meet to provide a specific level of authentication assurance. However, we found that, although the IRS has established processes and procedures to authenticate individuals requesting online access to IRS services, these processes and procedures do not comply with Government standards for assessing authentication risk and establishing adequate authentication processes.

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<sup>&</sup>lt;sup>21</sup> NIST, NIST SP-800-63-2, *Electronic Authentication Guideline* (Aug. 2013).

Our analysis of the e-Authentication processes used to authenticate users of the IRS's online Get Transcript and Identity Protection Personal Identification Number (IP PIN)<sup>22</sup> applications found that these authentication methods provide only single-factor authentication despite NIST standards requiring multifactor authentication for such high-risk applications.

The IRS assessed the risk of the Get Transcript application as required. However, the IRS determined that the authentication risk associated with Get Transcript was low to both the IRS and taxpayers. The IRS defines a low risk rating as one in which the likelihood of an imposter obtaining and using the information available on an application is low. In addition, a low risk rating indicates that controls are in place to prevent, or at least significantly impede, an imposter from accessing the information. As a result, the IRS implemented single-factor authentication to access the Get Transcript application.

The IRS's current e-Authentication framework also does not comply with NIST standards for single-factor authentication. Specifically, the e-Authentication framework does not require individuals to provide Government identification or a financial or utility account number, as required by NIST standards. According to IRS management, the IRS decided to not request financial or utility account information because the information cannot currently be verified. IRS management informed us that the IRS obtained and verified the taxpayer filing status to mitigate the risk of its being unable to use financial information to authenticate individuals.

Although the IRS required taxpayers to provide a filing status, this requirement does not bring it into compliance with NIST standards, and the IRS remains noncompliant with single-factor authentication requirements. The IRS received guidance from the NIST at the time the e-Authentication framework was being developed indicating that a Taxpayer Identification Number (TIN) was an acceptable form of identification. However, in August 2015, the NIST informed us that a TIN is not currently an acceptable Government identification number for the purpose of authentication. We brought this discrepancy to the IRS's attention and IRS management agreed that a TIN is no longer an acceptable form of identification. Management also indicated that the IRS would take steps to conform to NIST standards for verifying an individual's identity.

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<sup>&</sup>lt;sup>22</sup> To provide relief to tax-related identity theft victims, the IRS issues IP PINs to taxpayers who are confirmed by the IRS as victims of identity theft, taxpayers who are at a high risk of becoming a victim such as taxpayers who call reporting a lost or stolen wallet or purse, as well as taxpayers who live in three locations that the IRS has identified as having a high rate of identity theft (Florida, Georgia and the District of Columbia).

In August 2015, the IRS indicated that unauthorized users had been successful<sup>23</sup> in obtaining tax information<sup>24</sup> on the Get Transcript application for an estimated 334,000 taxpayer accounts. According to the IRS, one or more individuals succeeded in clearing the IRS's authentication process that required knowledge of information about the taxpayer, including Social Security information, date of birth, tax filing status, and street address. To prevent further unauthorized accesses, the IRS removed the application from its website.

TIGTA's current review<sup>25</sup> of the Get Transcript breach identified additional suspicious accesses to taxpayers' accounts that the IRS had not identified. Based on TIGTA's analysis of Get Transcript access logs, the IRS reported on February 26, 2016 that potentially unauthorized users had been successful in obtaining access to an additional 390,000 taxpayer accounts. The IRS also reported that an additional 295,000 taxpayer transcripts had been targeted but the access attempts had not been successful. TIGTA was able to identify the additional unauthorized accesses due to our use of advanced analytics and cross-discipline approaches. The IRS had not previously identified these accesses because of limitations in the scope of its analysis, including its method of identifying suspicious e-mail accounts and the time frame it analyzed.

In response to TIGTA's identification of the additional accesses, the IRS started on February 29, 2016 mailing notification letters to the affected taxpayers and placing identity theft markers on their tax accounts. It should be noted that the actual number of individuals whose personal information was available to the potentially unauthorized individuals accessing these tax accounts is significantly greater than the number of taxpayers whose accounts were accessed because the tax accounts accessed include certain information on other individuals listed on a tax return (e.g., spouses and dependents).

We are currently evaluating the appropriateness of the IRS's response to the Get Transcript incident and the IRS's proposed solutions to address the authentication

and three prior years of tax returns, nine years of tax account information, and wage and income information.

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<sup>&</sup>lt;sup>23</sup> A successful access is one in which the unauthorized users successfully answered identity proofing and knowledge-based authentication questions required to gain access to taxpayer account information.
<sup>24</sup> The tax information that can be accessed on the Get Transcript application can include the current and three prior years of tax returns, pine years of tax account information, and wage and income.

<sup>&</sup>lt;sup>25</sup> TIGTA, Audit No. 201540027, Evaluation of Assistance Provided to Victims of the Get Transcript Data Breach, report planned for May 2016.

weakness that allowed the incident to occur.<sup>26</sup> To date, we have learned that the IRS is working with the U.S. Digital Service<sup>27</sup> on its new e-authentication and authorization policies and procedures. In addition, TIGTA is participating in a multi-agency investigation into this matter, and we have provided the IRS with some of our investigative observations to date in order to help them secure the e-authentication environment in the future.

We also reported in November 2015 that the IRS did not complete the required authentication risk assessment for its IP PIN application. In addition, on January 8, 2016, we recommended that the IRS not reactivate its online IP PIN application for the 2016 Filing Season, due to concerns that the IP PIN authentication process requires knowledge of the same taxpayer information that was used by unscrupulous individuals to breach the Get Transcript application. However, the IRS reactivated the application on January 19, 2016. We issued a second recommendation to the IRS on February 24, 2016, advising it to remove the IP PIN application from its public website.

On March 7, 2016, the IRS reported that it was temporarily suspending use of the IP PIN application as part of an ongoing security review. The IRS reported that it is conducting a further review of the application that allows taxpayers to retrieve their IP PINs online and is looking at further strengthening its security features. The IRS does not anticipate having the technology in place for either the Get Transcript or IP PIN application to provide multifactor authentication capability before the summer of 2016.

On February 9, 2016, the IRS announced that it had identified and halted an automated botnet<sup>28</sup> attack on its Electronic Filing (e-file) PIN application on IRS.gov. Using personal data stolen elsewhere outside the IRS, identity thieves used malware in an attempt to generate e-file PINs for stolen Social Security Numbers (SSN). An e-file PIN is used in some instances to electronically file a tax return. While no personal taxpayer data was compromised or disclosed by IRS systems in the attack, the IRS did identify unauthorized attempts involving approximately 464,000 unique SSNs, of which 101,000 were used to successfully access an e-file PIN.

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<sup>&</sup>lt;sup>26</sup> TIGTA, Audit No. 201520006, *Review of Progress to Improve Electronic Authentication*, report planned for July 2016.

<sup>&</sup>lt;sup>27</sup> The U.S. Digital Service is part of the Executive Office of the President. Its goal is to improve and simplify the digital services that people and businesses have with the Government.

<sup>28</sup> A botnet is a number of Internet computers that, although their owners are unaware of it, have been set

<sup>&</sup>lt;sup>28</sup> A botnet is a number of Internet computers that, although their owners are unaware of it, have been set up to forward transmissions (including spam or malware) to other computers on the Internet, usually for the purpose of a cyberattack or denial of service attack.

No single authentication method or process will prevent unscrupulous individuals from filing identity theft tax returns or attempting to inappropriately access IRS services. However, strong authentication processes can reduce the risk of such activity by making it harder and more costly for such individuals to gain access to resources and information. Therefore, it is important that the IRS ensure that its authentication processes are in compliance with NIST standards in order to provide the highest degree of assurance required and to ensure that authentication processes used to verify individuals' identities are consistent among all methods used to access tax account information.

In response to concerns expressed by the IRS Commissioner during 2015, the IRS received an additional \$290 million in appropriated funds for FY 2016. The IRS plans to use \$111.5 million of the additional funding to enhance cybersecurity to safeguard taxpayer data. Specifically, the IRS plans to increase staffing, replace outdated equipment, and make network improvements for monitoring and analyzing data traffic. In addition, the IRS plans to implement actions from the Security Summit<sup>29</sup> and to relaunch the Get Transcript application. We are planning a review to assess IRS's use of these funds to improve cybersecurity.

We at TIGTA take seriously our mandate to provide independent oversight of the IRS in its administration of our Nation's tax system and will continue to expand our oversight related to cybersecurity. Based on the increased number and sophistication of threats to taxpayer information and the need for the IRS to better protect taxpayer data and improve its enterprise security program, we plan to provide continuing audit and investigative coverage of the IRS's efforts to protect the confidentiality of taxpayer information.

Chairman Hatch, Ranking Member Wyden, and Members of the Committee, thank you for the opportunity to share my views.

<sup>&</sup>lt;sup>29</sup> On March 19, 2015, the IRS Commissioner convened a meeting with IRS officials, the chief executive officers of the leading tax preparation firms, software developers, payroll and tax financial product processors, and representatives from 22 States to discuss common challenges and ways to leverage their collective resources and efforts for identity theft detection and prevention.



# J. Russell George Treasury Inspector General for Tax Administration

Following his nomination by President George W. Bush, the United States Senate confirmed J. Russell George in November 2004, as the Treasury Inspector General for Tax Administration. Prior to assuming this role, Mr. George served as the Inspector General of the Corporation for National and Community Service, having been nominated to

that position by President Bush and confirmed by the Senate in 2002.

A native of New York City, where he attended public schools, including Brooklyn Technical High School, Mr. George received his Bachelor of Arts degree from Howard University in Washington, DC, and his Doctorate of Jurisprudence from Harvard University's School of Law in Cambridge, MA. After receiving his law degree, he returned to New York and served as a prosecutor in the Queens County District Attorney's Office.

Following his work as a prosecutor, Mr. George joined the Counsel's Office in the White House Office of Management and Budget, where he was Assistant General Counsel. In that capacity, he provided legal guidance on issues concerning presidential and executive branch authority. He was next invited to join the White House Staff as the Associate Director for Policy in the Office of National Service. It was there that he implemented the legislation establishing the Commission for National and Community Service, the precursor to the Corporation for National and Community Service. He then returned to New York and practiced law at Kramer, Levin, Naftalis, Nessen, Kamin & Frankel.

In 1995, Mr. George returned to Washington and joined the staff of the Committee on Government Reform and Oversight and served as the Staff Director and Chief Counsel of the Government Management, Information and Technology subcommittee (later renamed the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations), chaired by Representative Stephen Horn. There he directed a staff that conducted over 200 hearings on legislative and oversight issues pertaining to Federal Government management practices, including procurement policies, the disposition of government-controlled information, the performance of chief financial officers and inspectors general, and the Government's use of technology. He continued in that position until his appointment by President Bush in 2002.

Mr. George also serves as a member of the Integrity Committee of the Council of Inspectors General for Integrity and Efficiency (CIGIE). CIGIE is an independent entity within the executive branch, statutorily established by the Inspector General Act, as amended, to address integrity, economy, and effectiveness issues that transcend individual Government agencies and to increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General. The CIGIE Integrity Committee serves as an independent review and investigative mechanism for allegations of wrongdoing brought against Inspectors General.



## Michael E. McKenney Deputy Inspector General for Audit Treasury Inspector General for Tax Administration

Mike McKenney serves as the Deputy Inspector General for Audit for the Treasury Inspector General for Tax Administration (TIGTA). He leads a nationwide audit function consisting of 270 staff members who strive to promote the economy, efficiency, and effectiveness of tax administration.

The Audit program's reports and recommendations to the Internal Revenue Service (IRS) have focused on improving tax administration and addressing the IRS's management challenges in the areas of data and employee security, computer modernization, tax law compliance and complexity, human capital, and improper and erroneous payments.

Prior to this, Mike served as the Assistant Inspector General for Audit (Returns Processing and Account Services) for TIGTA, where he was responsible for providing audit oversight of IRS operations related to the preparation and processing of tax returns and the issuing of refunds to taxpayers. This includes customer service activities, outreach efforts, tax law implementation, taxpayer assistance, accounts management, notices, submission processing, and upfront compliance such as the Frivolous Returns Program and the Questionable Refund Program.

Mike served in various managerial positions with TIGTA, covering a broad range of IRS areas including the IRS Oversight Board, Agency-Wide Shared Services, Chief Human Capital Office, Office of Appeals, Taxpayer Advocate Service, Office of Research and Analysis, and the Office of Professional Responsibility. Mike also opened and managed TIGTA's Denver field office for the Office of Audit. He began his Federal auditing career in 1992 with the IRS Inspection Service in Los Angeles. Mike graduated from California State University, Fullerton with a B.A. in Business (Accounting).