



COMMISSIONER

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

January 29, 2007

The Honorable Charles E. Grassley  
Committee on Finance  
United States Senate  
Washington, DC 20510-6200

Dear Senator Grassley:

Thank you for your letter to Secretary Paulson dated January 5, 2007, inquiring about implementation of the Whistleblower provisions contained in the Tax Relief and Health Care Act of 2006 (Tax Relief Act of 2006). I am committed to ensuring that the IRS successfully implements the new legislation and am pleased to report that we are taking expeditious actions to do so.

The IRS has already taken steps to establish the new Whistleblower Office, which will report directly to the Deputy Commissioner for Services and Enforcement. This places the new office on par with other Operating Divisions at the IRS. It will be headed by an IRS executive who has experience with IRS operations as well as with whistleblower operations in other government agencies. This executive should be assigned to the new position by February 4, 2007, and will be available to attend your bipartisan roundtable discussion to obtain first-hand input from key stakeholders.

The IRS Chief Counsel and Assistant Secretary for Tax Policy are responsible for issuing the guidance required by the Tax Relief Act of 2006. Both offices are currently studying the legislation to identify areas and issues to be addressed in the guidance. They will obtain input from all interested parties, including the new executive in charge of the Whistleblower Office, to determine issues needing guidance. We are hopeful that the roundtable discussion will provide an opportunity to receive additional input. Chief Counsel and Tax Policy plan to issue this guidance within the one year timeframe required in the legislation.

As a result of our own review of the existing informants program and the recent findings of the Treasury Inspector General for Tax Administration, the IRS has taken the following steps to improve the management and oversight of this program:

- Each IRS Operating Division has designated a coordinator responsible for oversight and management of the program in his or her Division. The coordinator's duties include ensuring the accuracy of the database of open/pending claims and educating and training division executives, managers

and front-line employees about the program, including its importance in identifying noncompliance.

- All informant claims have been consolidated at the Ogden Campus to standardize claims control and tracking, expedite claims processing and foster development of staff expertise in evaluating informant claims.
- A National Oversight Committee comprised of the division coordinators and the staff of the Deputy Commissioner for Services and Enforcement has been established to centralize management and oversight of the program. The Committee has been meeting regularly.
- A new nationwide web-based system to track, monitor and control claims is in the final stages of systems development and testing. We expect the system to become operational by March 31, 2007. The existing system used by the Ogden Campus is still operational and the consolidation of all claims in Ogden resulted in a nationwide database of informant claims. New tracking and management information reporting will be available when the new web-based system is operational.

Lastly, the IRS is securing the information on all applications and awards made for the last three years. As soon as this information has been obtained from IRS field offices, your staff will be notified and arrangements will be made to deliver it to you.

I look forward to working with the Committee on Finance and other stakeholders to ensure the successful implementation of the new legislation, as well as successful operation of the new Whistleblower Office.

Sincerely,



Mark W. Everson