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United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

October 12, 2022

The Honorable J. Russell George
Inspector General for Tax Administration
Treasury Inspector General for Tax Administration (TIGTA)
901 D Street, SW, Suite 600
Washington, DC 20024

Dear Inspector General George,

We write to inquire about Internal Revenue Service (IRS) oversight plans by TIGTA in light of recent supersized funding of the IRS. The recent boost of nearly \$80 billion in supplemental funding for the IRS is devoted disproportionately to enforcement, and likewise disproportionately lacks emphasis on oversight and the need for IRS accountability and transparency to all Americans. We write also to relate our priorities of taxpayer service, business system modernization, taxpayer privacy protection, and guarding against continued unlawful IRS targeting of taxpayers on the basis of factors such as religious or political beliefs.

Public Law No. 117-169, labeled by some as the “Inflation Reduction Act,” was signed into law on August 16 of this year. P.L. 117-169 contains a largely unbridled \$79,621,533,803 appropriation to supersize the IRS.

Of the outsized funding provided to the IRS by P.L. 117-169, 57.32 percent goes to enforcement and 31.81 percent goes to operations support, which also includes enforcement programs, while shortchanging taxpayer services with only 4.00 percent of overall funds.

In stark contrast to amounts devoted to enforcement, and revelatory with respect to lack of proportionate oversight funding in P.L. 117-169, that law devotes only 0.51 percent to TIGTA. The amount provided to enforcement and operations support alone in P.L. 117-169 represents more than five times the *entire* annualized total budgetary resources of the IRS for fiscal year 2022, while the amount provided to TIGTA represents just over 2.3 times TIGTA’s budgetary equivalent.¹

¹ See P.L. 117-169.

The supersized IRS funding, therefore, asks TIGTA to oversee massive amounts of increased IRS activities disproportionately aimed at enforcement. Taxpayer services and oversight, unfortunately for taxpayers, received disproportionately little attention.

We appreciate TIGTA’s ongoing work to oversee what should be the mission of the IRS, identified by TIGTA as “helping taxpayers comply with their tax responsibilities and enforcing the tax laws with integrity and fairness to all.”²

Concerns over lack of additional oversight resources proportionate to the vast increase in IRS funding derived from partisan legislation are especially warranted given recent customer service and technology issues and IRS abuses of taxpayers. This includes unanswered phones, data breaches, violations of civil rights,³ inappropriate and systematic targeting of non-profit applicants and groups based on political beliefs⁴ and inappropriate IRS mixing of politics with religious beliefs.⁵ Moreover, it remains troublesome that next to nothing is known about the leak advertised by advocacy media outlet ProPublica of a “vast trove of Internal Revenue Service data on the tax returns of thousands of the nation’s wealthiest people, covering more than 15 years,” and whether the “trove” includes tax returns of American taxpayers whom ProPublica deems not to be among the wealthiest.

As TIGTA is aware, under P.L. 117-169’s fund-now, plan-later approach to funding the IRS, the Secretary of the Treasury has requested that the IRS Commissioner and the Deputy Secretary of the Treasury arrive at some sort of plan for how the added \$80 billion of IRS resources will be used. Such planning solely within the executive branch does not dampen concerns over major ongoing IRS issues, including targeting and inability to protect confidential, private, and legally-protected personal taxpayer information.

Congress and the American people rely on inspectors general to help provide accountability, transparency and bipartisan inclusion in agencies’ uses of hard-earned taxpayer resources. That will especially be the case with monitoring and overseeing the outsized partisan infusion of nearly \$80 billion focused on IRS enforcement, provided through P.L 117-169.

² See, for example, page 5 of TIGTA’s February 2, 2022 Report Number: 2022-20-009 available at <https://www.treasury.gov/tigta/auditreports/2022reports/202220009fr.pdf>.

³ See “Criminal Investigations Enforced Structuring Laws Primarily Against Legal Source Funds and Compromised the Rights of Some Individuals and Businesses,” TIGTA, March 30, 2017, Reference Number: 2017-30-025.

⁴ See, for example, U.S. Senate Committee on Finance, Additional Republican Vies, Executive Summary, at <https://www.finance.senate.gov/imo/media/doc/Chairman%20Hatch%20Executive%20Summary.pdf>.

⁵ In 2021, IRS Exempt Organizations initially denied 501 (c)(3) status to a Texas Christian organization, with the IRS identifying that, in the view of the IRS, “Bible teachings are typically affiliated with the [Republican Party] and candidates.” Relatedly, see, for example, the August 16, 2021 letter to TIGTA from Senate Finance Committee Members, led by Senator James Lankford, at <https://www.lankford.senate.gov/imo/media/doc/Lankford%20Sasse%20Letter%2008.16.2021.pdf>.

We ask that TIGTA provide initial guidance to Congress on its plans to help provide all of the American people eyes into what will transpire with the massive new IRS funding. Specifically, please respond by October 27, 2022 to our following initial inquiries:

1. Please provide an update on development, or lack thereof, of strategy and guidance policies from the Department of the Treasury for IRS information technology supply chain risk management (SCRM). This is especially important, and should be a priority for Treasury, in response to ProPublica's advertised threat that there has been a leak of private, legally protected data out of the IRS. In light of TIGTA's February 2, 2022, findings regarding the lack of adequate attention at the IRS to mitigating data leaks within its technology SCRM efforts while it awaited Department of the Treasury strategy and guidance policies, has the ProPublica leak received the attention of the Administration? Has the current Administration been at least as responsive to risk as during the prior Administration when the supply chain incident involving software from the SolarWinds Corporation was first discovered?⁶
2. Will the supersized IRS funding, focused on enforcement, alter TIGTA's prioritization of oversight of the IRS's top management and performance challenges identified in the October 14, 2021, memorandum to Treasury Secretary Yellen?⁷ If so, how and why?
3. When does TIGTA anticipate release of its 2023 Annual Audit Plan, and will the outsized new IRS funding, disproportionately focused on enforcement and disproportionately lacking in resources for taxpayer services, significantly alter TIGTA's audit plan for 2023 relative to the plan for 2022?⁸
4. What are the high-risk items associated with TIGTA's oversight of IRS taxpayer-data privacy protection, IRS taxpayer services, IRS technology modernization efforts to date that remain outstanding and not yet fully resolved by the IRS? The IRS no longer has the excuse, at least until Sec. 10301 of P.L 117-169 is either modified or repealed, that it lacks funds.
5. The IRS reported on September 2, 2022, under requirements of the Federal Information Security Modernization Act (FISMA), that it had failed to protect taxpayer privacy because it had disclosed taxpayer data (including directly to ProPublica) on tax-exempt organizations contained in Forms 990-T.⁹ There has been no report by the IRS nor the

⁶ See Report Number: 2022-20-009, TIGTA, February 2, 2022, "More Interim Steps Could Be Taken to Mitigate Information Technology Supply Chain Risks.

⁷ See Memorandum for Secretary Yellen, October 14, 2021, regarding Management and Performance Challenges Facing the Internal Revenue Service for Fiscal Year 2022, at https://www.treasury.gov/tigta/managment/managment_fy2022.pdf.

⁸ TIGTA's 2022 Annual Audit Plan, at https://www.treasury.gov/tigta/auditplans/auditplans_FY2022.pdf.

⁹ See, for example, the September 2, 2022 letter to the Committee on Homeland Security of the House of Representatives from IRS Commissioner Rettig at <https://s.wsj.net/public/resources/documents/IRSBREACH.pdf>.

Treasury Department related to requirements under FISMA relative to the ProPublica “trove” of taxpayer data identifying, at least, that there has been a data leak breach at the IRS. To date, both the IRS and Treasury maintain that they do not know that there has been a breach or, remarkably, even the *threat* of a breach.

- a. In TIGTA’s assessment, has the IRS complied with FISMA reporting requirements relative to the ProPublica “trove” leak and associated breach or, at least, threat of a breach at IRS?
 - b. In TIGTA’s assessment, have IRS and Treasury met requirements of the Cybersecurity & Infrastructure Security Agency on Federal Incident Notifications relative to the ProPublica “trove” leak and associated breach or, at least, threat of a breach at IRS?
 - c. To TIGTA’s knowledge, has anyone at the IRS or Treasury, including the IRS Chief Counsel or anyone in the Office of the General Counsel at the Department of the Treasury, asked ProPublica for a copy of the personal, legally protected taxpayer data ProPublica has been publicizing?
6. What are the most significant existing deficiencies at IRS in internal financial controls that may allow for waste, fraud and abuse in tax administration given the supersized, near-\$80 billion of largely unbridled IRS funding recently provided, and what are the most significant existing deficiencies at IRS in internal taxpayer-privacy-protection controls?

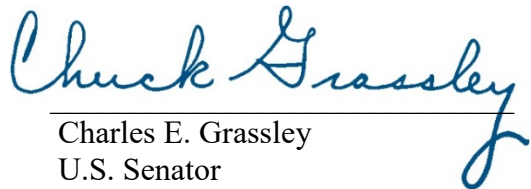
We value the fact-based, non-partisan work by TIGTA aimed at helping taxpayers comply with their tax responsibilities and enforcing the tax laws with integrity and *fairness to all*.

With supersized IRS funding having been set in place by P.L. 117-19, it is essential that oversight of the IRS be increased commensurate with the outsized boost in resources provided to the IRS. We request that you respond to our inquiries provided in items 1-6 above by October 27, and expect that further IRS oversight requests will be forthcoming.


Sincerely,




Mike Crapo
U.S. Senator



Charles E. Grassley
U.S. Senator



John Cornyn
U.S. Senator



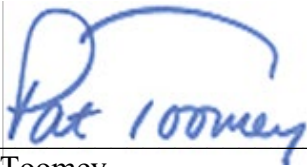
John Thune
U.S. Senator



Richard Burr
U.S. Senator



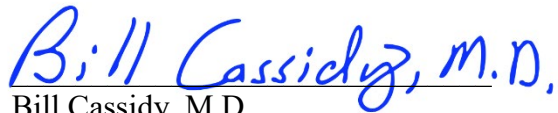
Rob Portman
U.S. Senator



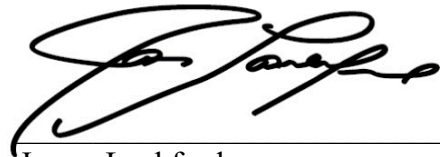
Pat Toomey
U.S. Senator



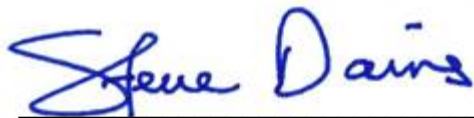
Tim Scott
U.S. Senator



Bill Cassidy, M.D.
U.S. Senator



James Lankford
U.S. Senator



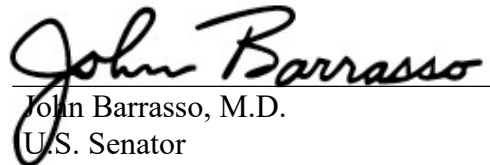
Steve Daines
U.S. Senator



Todd Young
U.S. Senator



Ben Sasse
U.S. Senator



John Barrasso, M.D.
U.S. Senator